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USAID PROMOTE, RENEW, INVIGORATE, DEVELOP, ENERGIZE JAMAICA

FINAL REPORT



January 2015

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS

ACRE	Access, Communication, Reform, Efficiency	FinMan	Financial Management (System)
AEO	Authorized Economic Operator	GM	General Manager
AGM	Assistant General Manager	GOJ	Government of Jamaica
AIU	Audit and Investigations Unit	HAJL	Housing Agency of Jamaica Limited
ASYCUDA	Automated Systems for Customs Data	HEART/NTA	Human Employment and Resource Training/National Training Agency
BPR	Business Process Reengineering	HMF	Honorable Minister of Finance
CADR	Commercial Alternative Dispute Resolution	HPM	Honorable Prime Minister
CARTAC	Caribbean Regional Technical Assistance Centre	ICT/IT	Information and Communication Technology/Information Technology
CBO	Community Based Organization	IDB	Inter-American Development Bank
CG	Commissioner General	IDP	International Development Partners
CO	Compliance Officer	ILS	International Land Systems
COR	Contracting Officer's Representative	IMF	International Monetary Fund
COTS	Commercial Off The Shelf (System)	IRD	Inland Revenue Department
CPC	Chief Parliamentary Counsel	ITC	International Trade Corporation
CPE	Continuing Professional Education	JAMPRO	Jamaica Promotions Corporation
CSO	Civil Society Organization	JCA	Jamaica Customs Agency
CTMS	Central Treasury Management System	JCC	Jamaica Chamber of Commerce
C-TPAT	Customs-Trade Partnership Against Terrorism	JCA	Jamaica Customs Agency
DAC	Development Assistance Centre	JIS	Jamaica Information Service
DAP	Development Approvals Process	JUTC	Jamaica Urban Transit Company
DBJ	Development Bank of Jamaica	J\$	Jamaican Dollar
EA	Executive Agency	KCT	Kingston Container Terminal
EDI	Electronic Data Interchange	LAMP	Land Administration and Management Programme
EG-J	e-Gov Jamaica	LCL	Less than Container Load
EPU	Entry Processing Unit	Legs and Regs	Legislation Regulations and Process Improvement Project
ERA	Environmental Regulatory Authority	LPA	Local Planning Authority
EU	European Union	LPI	Logistic Performance Index
FDU	Forensic Data-mining Unit	LTO	Large Taxpayer Office
		MDA	Ministries, Departments and Agencies

MFI	Microfinance Institution	SET	Special Enforcement Team (TAJ)
MIP	Modernization Implementation Plan	TAAD	Taxpayer Audit and Assessment Department
MoFP	Ministry of Finance and Planning	TAD	Taxpayer Appeals Department
MOJ	Ministry of Justice	TAJ	Tax Administration Jamaica
MOU	Memorandum of Understanding	TAMU	Taxpayer Audit Management Unit
MP	Modernisation Plan (JCA)	TASD	Tax Administration Services Department
MSME	Micro, Small and Medium Enterprise	TCSP	Trade Community System Partnership
NEPA	National Environment and Planning Agency	TFS	Technical Feasibility Study
NGO	Non-governmental Organization	TOR	Terms of Reference
OPM	Office of the Prime Minister	TRN	Taxpayer Registration Number
OTA	U.S. Treasury, Office of Technical Assistance	TRU	Tax Relief Unit
PCA	Post Clearance Audit	UNCTAD	United Nations Conference on Trade and Development
PETROJAM	Petroleum Corporation of Jamaica	UNODC	United Nations Office on Drugs and Crime
PFM	Public Financial Management	USAID/Jamaica	U.S. Agency for International Development/Jamaica Mission
PIU	Project Implementation Unit	USAID/Washington	U.S. Agency for International Development, Washington D.C.
PMP	Performance Monitoring Plan	US\$	U.S. Dollar
PPP	Public Private Partnership	USCBP	United States Customs and Border Protection
PSED	Public Sector Establishment Division	UTECH	University of Technology
PSOJ	Private Sector Organisation of Jamaica	UWI	University of the West Indies
RAD	Revenue Appeals Department	WCO	World Customs Organization
RCO	Regional Contracting Officer	WTO	World Trade Organization
RFI	Request for Information	YUTE	Youth Upliftment through Employment
RFP	Request for Proposal		
RMU	Risk Management Unit		
RSC	Revenue Service Centre		
SAJ	Shipping Association of Jamaica		
SARA	Semi-autonomous Revenue Authority		
SEMCAR	Supporting Economic Management in the Caribbean		

EXECUTIVE SUMMARY

The Promote, Renew, Invigorate, Develop, Energize (PRIDE) Jamaica program showcases the significant results generated when USAID focused on core opportunities to work in a collaborative manner with the Government of Jamaica to cultivate sustainable, systemic economic development. Specifically, PRIDE Jamaica enhanced domestic resource mobilization through reform of tax and customs administration, contributing to an improved economic enabling environment and good governance. In just four years of operation, Tax Administration Jamaica (TAJ) and Jamaica Customs (JCA) **collected US\$250 million in additional revenue** using new systems and tools developed by PRIDE Jamaica. This was accomplished through **significantly improving human and institutional capacity in TAJ and JCA** by collaborating closely with leaders and champions of change within each organization. In particular, PRIDE Jamaica introduced and **embedded risk management as the cornerstone of decision-making** throughout TAJ and JCA, boosting efficiency and transparency. The proven cost-effectiveness of the PRIDE Jamaica approach, in conjunction with USAID/Jamaica leadership in inter-governmental consultation, elicited a US\$1.7 million grant from the Government of Jamaica to USAID to continue PRIDE operations in the face of USAID funding constraints.

PRIDE Jamaica embodies many of the themes of USAID Forward: building local capacity, focusing on core activities with the ability to engender systemic impact, and mobilizing domestic resources to support long-term economic development. A principle driver behind PRIDE Jamaica success was a collaborative internal project review, spurred in part by USAID resource uncertainties and constraints in early project implementation. Applying a series of criteria toward potential activities, including estimated impact and cost, and human and institutional capacity for implementation, including leadership and availability of champions for change, the PRIDE Jamaica team worked with USAID to focus implementation on high-priority activities. Taking a systemic approach, and USAID/Jamaica's agile project oversight, assured that PRIDE Jamaica invested resources in approaches and activities that maximized sustainable impact.

PROGRAM GOALS

PRIDE Jamaica was originally designed by the U.S. Agency for International Development to drive economic growth and sustainable development. The program's goal was to improve key policies, regulations, and processes in order to engender a positive economic enabling environment in Jamaica. Together, these policies, regulations and processes stimulate investment and increase tax revenues to support further economic growth and development.

PRIDE Jamaica was initially envisioned as a broad program. The five initial project components were:

1. Tax Policy and Administration
2. Licensing and Other Competitiveness Areas, including Development Approvals, Import/Export Processes, and Youth Workforce Development
3. Access to Credit for Micro, Small and Medium Enterprises
4. Legislative Process, and
5. Land Policy and Administration

However, resource limitations on economic growth funds, and consensus that it would be beneficial for the project to focus on a priority subset of topics, catalyzed a focus on key activities that would yield significant results. When USAID/Jamaica updated its Results Framework in accordance with its 2014-2018 Country Development Cooperation Strategy, PRIDE Jamaica's role was clarified to include generating significant results to build institutional capacity of Community Based Organizations (CBOs), Civil Society Organizations (CSOs), Non-governmental Organizations (NGOs) and Ministries, Departments and Agencies (MDAs).

In light of the resource constraints and on-going consultation on priorities, the PRIDE Jamaica team spearheaded a component-by-component review of planned activities. Part of this review included assessment of the human and institutional capacity to bring about sustainable impact, as well as intensive discussions of the estimated impact and cost of alternative activities. The PRIDE Jamaica team led a series of stakeholder discussions, across USAID/Jamaica, the GOJ, and the private sector, that together constituted a frank, transparent review of the systems and frameworks in which PRIDE Jamaica was operating. This review assisted USAID and the GOJ to prioritize activities for maximum sustainable impact.

Thus, the program was successfully adapted to meet critical, evolving USAID and Jamaica priorities in an environment of funding uncertainty and limitations. The result was that the re-focused project implemented activities in two key areas:

- Tax Administration Reform; and
- Customs Reform.

Within the focussed project, objectives were:

- Improve the business environment;
- Enhance revenue mobilization by improving compliance;
- Build sustainable human and institutional capacity in key institutions including Tax Administration Jamaica (TAJ) and the Jamaica Customs Agency (JCA);
- Catalyze good governance by boosting confidence in the public and business community to administer fair, equitable, transparent tax and customs administrations systems; and
- Strengthen national and citizen security by assisting the JCA to better manage risk while at the same time identifying and speeding clearance of non-risky cargo.

As part of the project review, PRIDE Jamaica assisted USAID to convene a Development Partners roundtable discussion in order to engender a collaborative approach to tax and customs reform efforts. The discussions, which became a valuable mainstay of the international development partner (IDP) dialogue and continue quarterly, elaborated development cooperation and funding strategies of the IDPs and identified opportunities to improve sustainability of tax and customs reform program initiatives.

The PRIDE Jamaica team collaborated with USAID to develop a Performance Monitoring Plan with specific indicators to measure results across the objectives. Indicators included number of policy reforms drafted and presented for public consultation, number of institutions undergoing capacity assessment, number of public-private dialogue mechanisms utilized, and number of changes made to business enabling environment.

KEY RESULTS

PRIDE Jamaica met and exceeded expected results. The program enhanced revenue mobilization, supported sustainable institutions, contributed to good governance, improved the enabling environment, and strengthened border and citizen security. These results will support the country's competitive position in regional and global markets, making Jamaica a more attractive location for both domestic and foreign business investment.

Key results achieved include:

- **Revenue Mobilization:** Tax Administration Jamaica and Jamaica Customs **have collected US\$250 million in just over four years** using new systems and tools developed by PRIDE Jamaica. By putting in place modern tax and customs systems, PRIDE Jamaica has catalyzed compliance, contributing to an equitable sharing of the domestic resource mobilization burden in keeping with Jamaican law.
- **Human and Institutional Capacity:** Perhaps PRIDE Jamaica's most important legacy is the **significantly improved human and institutional capacity in TAJ and JCA**. The project developed with and for TAJ and JCA the annual work plans; training manuals; sample case files; and senior, mid-level, and operational leadership to assure continued enhanced performance. In addition, the project paved the way for implementation of the Automated Systems for Customs Data (ASYCUDA), which is expected to spur a 10-20% increase in revenue collection for JCA due to comprehensive automation.
- **Good Governance:** PRIDE Jamaica introduced and **embedded risk management as the cornerstone of decision-making** throughout TAJ and JCA, boosting efficiency and transparency. For example, the project provided JCA with the tools to accurately assess duties and drawbacks on petroleum imports, a sector that provides significant customs revenue.
- **Business Environment Improvement:** Jamaica significantly improved its global Logistics Performance Index (LPI), earning a rank of 70 out of 160 nations in the 2014 World Bank Study "Connecting to Compete," up from a rank of 124 in 2012 and ranking above triple digits for the first time. Jamaica Customs reduced the clearance time for some categories of imports by 2 days, a 10% reduction in clearance time. Four key legislative items were approved by Parliament, including a new Tax Administration Law and amendments to the Tax Collections Act allowing garnishment, liens and other means as new enforcement tools.
- **Security:** PRIDE Jamaica launched the implementation of a fully functional Authorized Economic Operator (AEO) Program to facilitate secure international movement of goods. Jamaica is the first English-speaking Caribbean country to have implemented this program.

PRIDE Jamaica's significant results triggered a series of important outcomes that leveraged additional resources. First, the increased domestic resource mobilization, combined with the USAID funding limitations, spurred what may be a global first in which a host country provided funding directly to USAID to continue project operations. Thanks to the impressive project resource mobilization, combined with persistence by the Mission, led by Mission Director Denise Herbol, in discussing the value and importance of Government of Jamaica support for PRIDE objectives, the Government of Jamaica provided US\$1.7 million to extend the project and facilitate continued technical assistance and training. In addition, PRIDE's proven performance, and track record of collaboration and results, lay the foundation for the successful launch of additional USAID initiatives, including the Latin America and the

Caribbean Public Financial Management program. And PRIDE activities paved the way for the Interamerican Development Bank to approve a US\$62 million loan to fund Tax, Customs, and Ministry of Finance reform programs.

Significantly, the cessation PRIDE Jamaica activities was marked not by an event to “close” the project, but a “sustainability and review” event at which TAJ and JCA spoke at length of their commitment to ongoing implementation. In keeping with that tenor, the final section of this report highlights recommendations for continued implementation activities for both organizations.

PROGRAM COMPONENT SUMMARY

At the core of PRIDE Jamaica’s success is the introduction and institutionalization of Risk Management, in close collaboration with TAJ and JCA. Risk Management is the systematic determination of which customs transactions, taxpayer files, or tax arrears present the greatest risks and rewards. It is a key tool to use to plan control efforts and allocate resources, including staff time, to maximize results.

In today’s high-functioning public and private organizations, risk analysis and risk management techniques are fundamental to decision-making. Such methodologies are applied whenever risk of an undesired or unexpected event (such as nonpayment of taxes or customs duties) can significantly impact the objectives of a given entity. For both TAJ and JCA, risk analysis and management techniques are helpful to allocate human and financial resources, expedite processes, and reduce corruption, thereby enhancing both efficiency and performance. Risk management supports rational decision-making at all levels, from strategic to managerial to routine operation decisions. Modern risk management is invaluable for supporting organizational efforts to achieve the right balance in the dual mandate of control and facilitation.

TAX ADMINISTRATION REFORM

From the program’s inception, the overarching goal for the Tax Policy and Administration component was to mobilize revenue collection, broaden the tax base by improving tax administration, streamline processes to make it easier for taxpayers to comply, and harmonize tax policy and legislation. Identified by USAID/Jamaica as the highest of the two priority areas for PRIDE Jamaica, the project immediately began working with colleagues at Tax Administration Jamaica (TAJ) to address the requirements of TAJ’s ambitious reform program. Based on the Letter of Intent that the Government of Jamaica (GOJ) signed with the International Monetary Fund (IMF), TAJ was required to achieve a series of stringent benchmarks to demonstrate the GOJ’s serious intentions to implement a modernized tax administration organization. PRIDE Jamaica worked with TAJ to improve existing programs and develop new ones to manage risk, such as audit, non-filers, and debt collection. All of these initiatives supported TAJ’s efforts to improve governance and increase tax collections to support economic growth.

TAX ARREARS MANAGEMENT

Arising from a recommendation in the March 2011 IMF report, Tax Administration Jamaica needed to develop new processes and procedures to increase the effectiveness of its arrears collection efforts and reduce the inventory of open collectible and uncollectible accounts. Selecting tax arrears cases to work based on priority is an international best practice for tax administrations. Working with TAJ’s Debt Arrears Unit and IT staff, PRIDE Jamaica developed a prioritization schema for the excessive backlog of

outstanding tax arrears cases, and then developed different processes and procedures for High Priority (HP) and Medium Priority (MP) casework. After a series of pilots and training for compliance officers on the new processes and approaches, TAJ implemented the new HP and MP processes at all of the TAJ Revenue Service Centres (RSC's) during 2012. For the GOJ fiscal year ending March 31, 2013, total tax arrears collections increased 6% over the prior fiscal year. TAJ closed 9,429 High and Medium priority cases, valued at over US\$26 million. The new procedures and guidelines to work the various categories of cases, developed by PRIDE Jamaica and the Tax Arrears Management Unit (TAMU), were codified in a new Tax Arrears Management Handbook.

To further support improvements in tax arrears collection, PRIDE Jamaica worked with TAMU in Programmes to prepare TAJ's Tax Arrears Management Annual Plan, and to assist its implementation in the RSCs. TAJ and PRIDE Jamaica provided training to more than 50 arrears collection team leaders and team leader designates during the past two years. Additionally, TAMU and PRIDE Jamaica conducted training for 77 Compliance Officers (COs) during PRIDE Jamaica's last program year.

AUDIT CASE SELECTION AND AUDIT MANAGEMENT

PRIDE Jamaica developed new policies that provide a framework for TAJ's audit activities. PRIDE Jamaica supported TAJ to improve tax compliance by implementing risk-based computerized scoring systems to select cases for audit. PRIDE Jamaica 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. TAJ subsequently completed the programming of these risk framework protocols. The new annual audit plan format developed by PRIDE Jamaica integrated the classes that were established for the risk formulas, and these were incorporated into Annual Audit Plans. The annual results of TAJ's 2012/2013 Annual Audit Plan demonstrated substantial improvements over the previous fiscal year. The value of audit assessments increased 72% over the value of audit assessments from the previous fiscal year. The percentage of 'no change' audits declined, from 9.47% during the FY 2011/2012, to 4.86% in FY 2012/2013. This is a reduction of almost 50%, and is an important measure in the audit function.

COMPLIANCE PROGRAMS

In March 2011, the IMF highlighted the continuing need for TAJ to strengthen the operations of the Forensic Data-mining Unit (FDU) to support all areas of tax compliance including audit, improving debt management and collections and expanding the taxpayer base. Working with TAJ counterparts, PRIDE Jamaica completed a review and analysis of the system and methodology used by the FDU to gather data and developed new procedures to identify economic entities (corporations, group companies, partnerships, etc.) for potential tax compliance leads. PRIDE Jamaica also conducted a review of casework performed by the Special Enforcement Team (SET) Officers and worked with SET to further develop its Standard Operating Procedures (SOPs), establishing the framework for a new SET Manager's Manual and strengthening the integration of the work by CO's and case referral to SET through CO training.

PRIDE Jamaica recommended several new, low-cost and easy-to-implement taxpayer compliance improvement programs that TAJ implemented beginning in April 2013. These programs addressed those segments of the revenue at highest risk for non-payment, including trust fund taxes. Among these, FDU and TAMU implemented PRIDE Jamaica's recommendation of to prioritize the compliance leads that are issued to the RSC's. As a result, TAJ collected a total of US\$13,936,500 from compliance leads cases during the 2013/2014 fiscal year.

STRENGTHENING THE LARGE TAXPAYER OFFICE

Since December 2011, PRIDE Jamaica worked closely with the Large Taxpayer Office (LTO) to strengthen its abilities to improve taxpayer compliance. To support the process, PRIDE Jamaica engaged with LTO to support audit activities in telecommunications. As a result of PRIDE Jamaica's support to TAJ in this sector, overall taxpayer compliance is improving. In 2012, revenue collection among large taxpayers increased in a two month period by US\$68 million more than the same period the previous year. To further institutionalize capability transfer, 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 through the project's end. To this end, PRIDE Jamaica prepared additional data analysis training materials to strengthen the LTO's use of computer-based data analysis tools, which the LTO will apply to upcoming audits in the large retail sector.

RECORDS MANAGEMENT

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 system. With funding from the IDB, however, TAJ is procuring a new IT solution that will allow for the electronic storage of documents. As part of implementing the integrated IT solution, TAJ established a working group to create new procedures for records management across all functional areas, in which PRIDE Jamaica participated, along with staff representatives from Records Management and Operations functions, ensuring that end-user stakeholders are included in the process. The working group completed a 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.

LEVERAGING RESOURCES

USAID/Jamaica hosted meetings with donors and interfaced with senior levels of Jamaica's political directorate to garner support for TAJ's reform program. Arising from these discussions and with the detailed outline of the costs to reform TAJ in hand, the IDB approved a US\$35 million loan in December 2011 to the Government of Jamaica to support tax administration reform. The document that formed the basis of technical support to TAJ was the fully costed Modernization Implementation Plan (MIP) that PRIDE Jamaica completed with TAJ during August 2010. Also, The International Finance Corporation (IFC) and PRIDE Jamaica worked to integrate complementary support to TAJ and the Ministry of Finance and Planning, and coordinated efforts to maximize the impact of activities that were implemented, including activities in the area of Customer Service.

As part of the effort to integrate activities, after the MoFP conducted a series of comprehensive meetings for development partners during the past year to outline the range of support being provided in the area of public financial management (PFM), PRIDE Jamaica met with the World Bank to discuss support to TAJ and Jamaica Customs and provide background regarding support provided by other development partners.

CUSTOMS REFORM

RISK MANAGEMENT FRAMEWORK, SYSTEM AND POLICY

PRIDE Jamaica worked with JCA to improve border protection, transparency, and accountability, and eliminate corruption. During the program, PRIDE Jamaica supported the Jamaica Customs Agency (JCA) to transform from a labor-intensive, control-oriented department to a modern Customs operation that uses risk management principles in a data-rich environment.

PRIDE Jamaica worked in a collaborative manner with Jamaica Customs to develop and implement a Customs Modernisation Plan to strengthen its capacity to assess risk and implement more robust and comprehensive Information and Communications Technology (ICT)-based risk management systems. The Plan included a Risk Management Framework and Risk Management Policy to implement risk management throughout Jamaica Customs. Critically, the Framework also included a proposed organization structure, optimal staffing levels, and roles and responsibilities for a Risk Management Unit (RMU). It set out standard operating procedures for the RMU, and identified opportunities for automation.

PRIDE Jamaica also played a critical role in developing a Risk Management (RM) ICT solution for Customs. The program assisted JCA to develop a Request for Proposal (RFP) for the Jamaica Customs Risk Management ICT system, thus paving the way for US\$2.6 million in funding from Interamerican Development Bank (IDB) for the Automated Systems for Customs Data (ASYCUDA).

AUTHORIZED ECONOMIC OPERATOR

The Authorized Economic Operator program secures and facilitates global trade. PRIDE Jamaica analysis had identified that the current AEO practices erred on the side of facilitation, creating high risk for JCA. PRIDE Jamaica provided technical assistance in risk assessments and management techniques, security and audit techniques, and cargo security to improve the quality of the AEO program. With PRIDE Jamaica support, Jamaica Customs conducted outreach to build customs-to-business partnerships. PRIDE Jamaica supported development of an AEO Manual, and trained 14 AEO Account Managers.

The result of PRIDE Jamaica's efforts is a revitalized, safer AEO program, with increased AEO compliance among the business community, which reduces the time and cost of customs clearance. An additional benefit of AEO compliance is the release of Customs resources to focus on potentially unsafe and high-risk entities and individuals. Each of the 100 largest importers to Jamaica has submitted an AEO application, and 31 entities have completed AEO validation.

RISK-BASED INFORMATION MANAGEMENT SYSTEM

As a result of PRIDE Jamaica assistance, the implementation of the automated customs system ASYCUDA is under way. With the acquisition and implementation of ASYCUDA, UNCTAD and Jamaica Customs estimate a 10 to 20 percent increase in revenue collection for JCA due to comprehensive automation, equal to an additional US\$23-46 million/year in revenue based on US\$230 million in revenue collection in 2012. This additional revenue is due in part to PRIDE Jamaica's technical assistance and support. The implementation of ASYCUDA will strengthen transparency, uniformity, standardization, and consistency of Customs procedures. ASYCUDA will improve Customs control and risk-management capabilities.

PETROLEUM MANAGEMENT MONITORING

Petroleum imports account for 30 percent of JCA revenue collections, yet possible abuse in this sector has resulted in significant under-reporting of imports and a concomitant loss of revenue. PRIDE Jamaica worked alongside Jamaica Customs to develop a proposed framework for a Petroleum Monitoring Unit, incorporating international best practices. Analyses revealed the major weakness in the system as the lack of technical skills within Customs to independently verify the quantities of product that are discharged and back loaded into vessels. PRIDE Jamaica provided technical training to JCA Officers to accurately and efficiently verify the types and volumes of products that are offloaded, allowing JCA to assess appropriate revenues due.

CUSTOMS VALUATION AND VERIFICATION

In order to confront the problem of under-invoicing by importers, who lowered value to evade applicable duty charges, PRIDE Jamaica assisted the JCA to develop Customs Valuation procedures. The support enabled JCA to establish a framework for a streamlined and predictable valuation process that protects tariff concessions, collects revenue due, implements trade policy appropriately, and protects public health and safety. The new methods streamline and strengthen procedures to encourage voluntary compliance.

KEY PROGRAM LESSONS LEARNED

- PRIDE Jamaica worked in close collaboration with the Government of Jamaica to take a systemic approach to program implementation. Once implementation began, it was determined that the original program design was overly broad. Resource limitations sparked a collaborative, systemic review among the PRIDE Jamaica team, the GOJ leadership, other international development partners, and champions of change at various levels across the government and private sector. In a series of focussed discussions, the PRIDE Jamaica team facilitated a component-by-component review of the original program design, assessed the human and institutional capacity of project participants, and prioritized potential activities according to expected impact. USAID/Jamaica's laser-like focus on sustainable results, and its agility in working with CARANA to review and adjust project indicators as needed in line with high-priority activities, assured maximum impact in an environment characterized by resource uncertainties and constraints. The final result: Focusing on implementing key components in a phased, logical sequence led to achieving significant results.
- The significant Return on Investment offered by PRIDE Jamaica activities, in conjunction with the Mission Director's persistent leadership in intragovernmental consultation, resulted in obtaining GOJ buy-in, not only in US\$9.3 million counterpart leverage but US\$1.7 million provided for the project extension.
- PRIDE Jamaica's focus on building relationships with relevant stakeholders, including the International Monetary Fund and the Joint Public-Private Oversight Committee of the Ministry of Finance, facilitated harnessing these groups to push for significant modernization in TAJ and JCA. CARANA's systemic approach yielded sustainable solutions.
- Significant impact comes not from merely drafting legislation, but from assuring the passage of legislation, drafting the rules and regulations to implement the legislation, and building the

institutional and human capital to assure implementation, including building the tools, manuals, and work plans to facilitate accomplishing the target activities.

- Modern risk management is the cornerstone for enhancing the performance of domestic resource mobilization institutions including tax and customs agencies.
- Information dissemination campaigns on enhanced tax and customs enforcement efforts trigger greater voluntary compliance, a core goal of domestic resource mobilization initiatives, and build political momentum for additional reform.
- Risk is dynamic, not static, thus capacity building must focus on building the human and institutional skills and abilities to continually identify, analyze and deal with risks, rather than providing a single solution that is applicable only for a specific set of circumstances.
- Senior management leadership is central to the sustainability of any new initiatives, such as domestic resource mobilization.
- Institutionalizing change through incorporation into standard operating procedures such as training manuals and annual plans, and automated systems such as the Automated Systems for Customs Data (ASYCUDA), provides a stable platform for the long-term application of the modernized policies. Institutionalization of change mitigates against transfers of trained personnel, and future reorganizations, by creating a foundation of updated standard procedures which withstand future pressures to either a) return to previous policies or b) dilute modernization in response to emerging new priorities.

PROGRAM OVERVIEW

The Promote, Renew, Invigorate, Develop, Energize (PRIDE) Jamaica program showcases the significant results generated when USAID focused on core opportunities to work in a collaborative manner with the Government of Jamaica to cultivate sustainable, systemic economic development. Specifically, PRIDE Jamaica enhanced domestic resource mobilization through reform of tax and customs administration, contributing to an improved economic enabling environment and good governance. In just four years of operation, Tax Administration Jamaica (TAJ) and Jamaica Customs (JCA) **collected US\$250 million in additional revenue** using new systems and tools developed by PRIDE Jamaica. This was accomplished through **significantly improving human and institutional capacity in TAJ and JCA** by collaborating closely with leaders and champions of change within each organization. In particular, PRIDE Jamaica introduced and **embedded risk management as the cornerstone of decision-making** throughout TAJ and JCA, boosting efficiency and transparency. The proven cost-effectiveness of the PRIDE Jamaica approach, in conjunction with USAID/Jamaica leadership in inter-governmental consultation, elicited a US\$1.7 million grant from the Government of Jamaica to USAID to continue PRIDE operations in the face of USAID funding constraints. PRIDE Jamaica embodies many of the themes of USAID Forward: building local capacity, focusing on core activities with the ability to engender systemic impact, and mobilizing domestic resources to support long-term economic development.

BACKGROUND

In March 2010, the CARANA Consortium, including Crown Agents, State University of New York (SUNY), Duke University and International Land Systems (ILS) began implementation of USAID/Jamaica's program Promote, Renew, Invigorate, Develop and Energize (PRIDE) Jamaica. Initially planned as a three and one half year, US\$8.1 million project,¹ PRIDE Jamaica reduces and eliminates administrative barriers and improves the regulatory policy framework to establish an improved business operating environment to support private sector growth.

PRIDE Jamaica directs program activities toward implementing needed administrative, policy, regulatory and legislative changes in public sector institutions to enable private sector economic growth. PRIDE Jamaica focuses on improvements that will provide a framework that is conducive for the Government of Jamaica to generate revenue to provide a secure environment for its citizens, support private sector investment and create an enabling environment that will improve Jamaica's international competitive position as a place to do business.

PRIDE Jamaica's original component areas included:

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

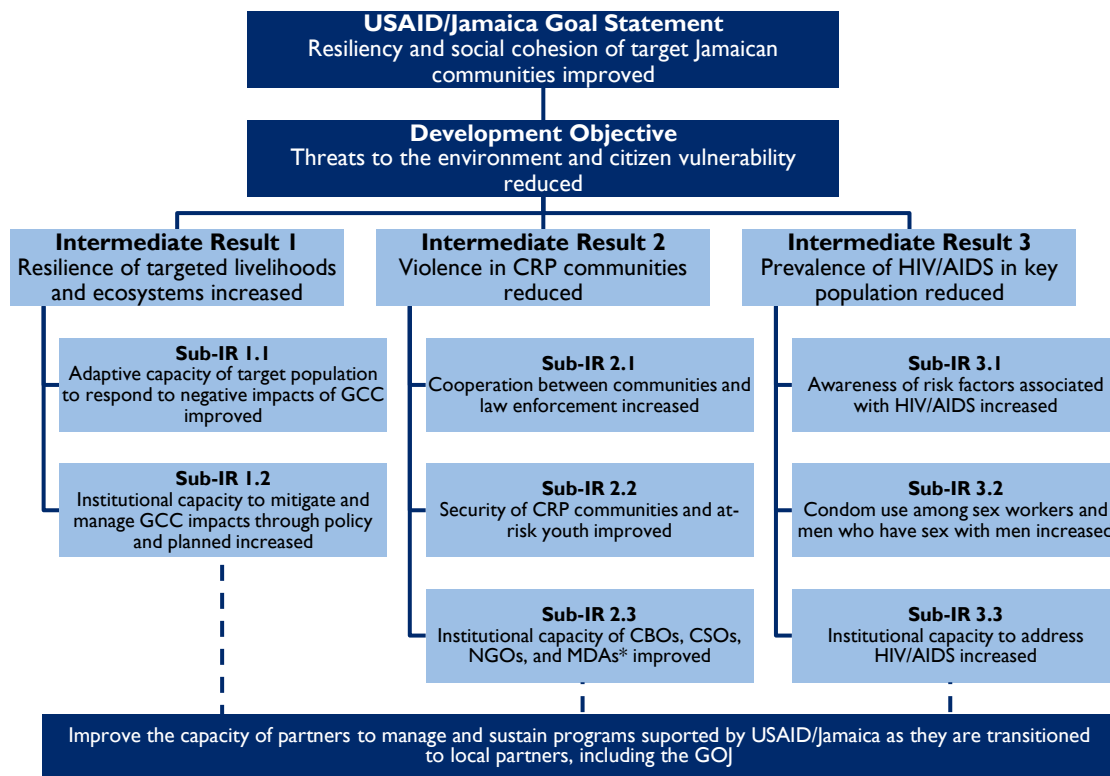
¹ The ceiling price for this Task Order is US\$7,334,983.83. The original completion date was August 31, 2013. In June 2013 the Task Order was extended to March 2015, and in November 2014 the period of performance end date was changed to January 30, 2015.

- Legislative Process; and
- Land Policy and Administration.

Originally, PRIDE Jamaica worked within the USAID/Jamaica Results Framework for Assistance Objective 3, ‘Economic Enabling Environment Improved.’

USAID/Jamaica updated its Results Framework, outlined below, in accordance with its 2014-2018 Country Development Cooperation Strategy. Within the scope of the new Development Objective ‘Threats to the environment and citizen vulnerability reduced,’ PRIDE Jamaica works within USAID/Jamaica’s Intermediate Result 2, Violence in Community Renewal Program (CRP) Communities Reduced.

Figure I – Assistance Objective



*ministries, departments, and agencies

PRIDE Jamaica’s activities are designed to achieve results within the scope of Sub-Intermediate Result 2.3: Institutional capacity of Community Based Organizations (CBOs), Civil Society Organizations (CSOs), Non-governmental Organizations (NGOs) and Ministries, Departments and Agencies (MDAs) improved. PRIDE Jamaica tracks the outcomes of activities at the sub-intermediate results level.

In June 2011, USAID/Jamaica informed CARANA that future funding for PRIDE Jamaica would be drastically reduced. In order to refocus the project on those initiatives expected to generate the greatest impact within funding availability, the PRIDE Jamaica team spearheaded a component-by-component review of planned activities. The review began with intensive, frank, transparent discussions with USAID, the donor community, GOJ, the private sector, and the non-profit sector of the estimated impact of alternative activities. The review included an informal, collaborative assessment of the human

and institutional capacity to bring about sustainable impact across the various components. In addition to human and institutional capacity, including evidence of leadership and champions eager to serve as change agents, other criteria for prioritizing activities included: Ongoing priorities and investments of other donors (eg donor specialization facilitated focussed yet coordinated initiatives); and synergies among activities (eg focusing on risk-based decision-making, as well as domestic resource mobilization). As a result of this review, USAID/Jamaica requested that PRIDE Jamaica focus only on tax administration reform and customs reform for the program year beginning October 1, 2011. PRIDE Jamaica continued this focus when additional funding enabled the project to continue to August 2013. A contract amendment in June 2013 extended the project, with the focus continuing on tax administration reform and customs reform, supported by legislative process as a cross-cutting component.

As part of the project review, PRIDE Jamaica assisted USAID to convene a Development Partners roundtable discussion in order to engender a collaborative approach to tax and customs reform efforts. The discussions, which became a valuable mainstay of the international development partner (IDP) dialogue and continue quarterly, elaborated development cooperation and funding strategies of the IDPs and identified opportunities to improve sustainability of tax and customs reform program initiatives.

With the approval of USAID/Jamaica, PRIDE Jamaica revised several of the project's Performance Monitoring Plan (PMP) indicator targets. The revised targets reflect reduced (overall) funding for the project; implementation in only two focus-areas: tax administration reform and customs reform; and, additional targets for the contract extension.² USAID's leadership in providing agile project oversight and facilitating focus on indicators deemed through consultation to measure the most significant impact, were crucial to overall project success.

KEY RESULTS

Based on PRIDE Jamaica's work over the life of the project, results include improving revenue mobilization, supporting sustainable institutions, strengthening border security, and improving the enabling environment to support Jamaica's economic growth. These results will support the country's competitive position in regional and global markets, making Jamaica a more attractive location for both domestic and foreign business investment.

Responding to guidance from USAID/Jamaica regarding available funding, over the last three and a half program years PRIDE Jamaica focused implementation on Component 1, 'Tax Policy and Administration', and support to Jamaica Customs through Component 2, 'Business Licensing and Other Competitiveness Areas.' Component 4, 'Legislative Process', was treated as a cross-cutting theme for those legislative and administrative reform activities needed to support tax administration and customs

² In June 2011 USAID/Jamaica informed CARANA that future funding for PRIDE Jamaica would be drastically reduced. At that time USAID/Jamaica requested that PRIDE Jamaica focus only on tax administration reform and customs reform. Based on the expected funding, PRIDE Jamaica planned for close out during July 2012, one year earlier than the expected Task Order period. When funding became available for Year 4 and Year 5, PRIDE Jamaica reinstated targets for Year 4, and added additional targets for the contract extension. The overall project funding is not expected to reach US\$8.1 million.

reform. Tax policy and administration remained the highest priority for PRIDE Jamaica's implementation activities.³

By the end of the fourth program year, PRIDE Jamaica had met or exceeded all targets in the Performance Monitoring Plan.⁴ Key results achieved include:

- US\$250 million collected by Tax Administration Jamaica and Jamaica Customs Agency using new systems developed by PRIDE Jamaica
- Significantly improved human and institutional capacity in TAJ and JCA
- Four key legislative items approved by Parliament
- US\$62 million IDB loan to fund Tax, Customs and Ministry of Finance reform programs
- US\$1.7 million provided by Government of Jamaica for project extension

PRIDE Jamaica worked with stakeholders to ensure that reform activities and operational improvements continue beyond the life of the project. USAID and PRIDE Jamaica have also worked closely with international development partners to support a smooth transition whereby stakeholders can utilize resources from other development partners to continue their reform program activities.

³ PRIDE Jamaica completed activities in Components 3 and 5 as of September 30, 2011, based on guidance from USAID/Jamaica. This reflects reduced overall funding for the following program years.

⁴ In consultation with USAID/Jamaica, PRIDE Jamaica reinstated targets for Year 5 during planning for the contract extension. The updated PMP accounts for the new Results Framework and reflects PRIDE Jamaica's focus on tax administration reform and customs reform, while eliminating implementation activities in other program areas.

COMPONENT I: TAX POLICY AND ADMINISTRATION

From the program's inception, the overarching goal for the Tax Policy and Administration component was to mobilize revenue collection, broaden the tax base by improving tax administration, streamline processes to make it easier for taxpayers to comply, and harmonize tax policy and legislation. Identified by USAID/Jamaica as one of the two high priority areas for PRIDE Jamaica, the project immediately began working with colleagues at Tax Administration Jamaica (TAJ) to address the requirements of TAJ's ambitious reform program. Based on the Letter of Intent that the Government of Jamaica (GOJ) signed with the International Monetary Fund (IMF), TAJ was required to achieve a series of stringent benchmarks to demonstrate the GOJ's serious intentions to implement a modernized tax administration organization. PRIDE Jamaica worked with TAJ to improve existing programs and develop new ones to manage risk, such as audit, non-filers, and debt collection. All of these initiatives supported TAJ's efforts to improve governance and increase tax collections to support economic growth.

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

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

In line with guidance from USAID/Jamaica, during the last three and a half program years PRIDE Jamaica allocated the majority of project resources to the Tax Policy and Administration component. Over this period, PRIDE Jamaica continued to support TAJ in the previously mentioned activities, as well as advocated for legislative, regulatory and administrative changes that are strengthening TAJ's ability to effectively conduct its operations and improve voluntary taxpayer compliance. This included working with senior management to advance needed legislative and regulatory changes; supporting the Programmes Unit and Revenue Service Centres to utilize new procedures to collect tax arrears; developing and monitoring new taxpayer compliance programs; improving the operational procedures for the Special Enforcement Team; developing a new training program to strengthen the skills of audit managers; and implementing improvements to arrears collection and audit activities to achieve results, among others. PRIDE Jamaica worked alongside TAJ to strengthen local capacity to develop and implement new operational programs and procedures to improve governance, successfully implement reform measures and achieve revenue collection and reform objectives within the scope of the IMF agreement.

PRIDE Jamaica and TAJ determined these strategic priorities based on recommendations from previous IMF Fiscal Affairs Department missions. Based on revised funding levels and changing timeframes for project completion in prior years, PRIDE Jamaica focused on several of the higher priority areas as

agreed with TAJ counterparts. By maintaining this focus, PRIDE Jamaica and TAJ were able to apply a phased approach toward implementing solutions to improve operations, which is supporting sustainability of the new approaches within TAJ as PRIDE Jamaica comes to a close.

PROJECT MANAGEMENT SUPPORT TO THE TAX REFORM PROGRAM

From June 2010, PRIDE Jamaica worked closely with Tax Administration Jamaica (TAJ) and the US Treasury Office of Technical Assistance (OTA) to support TAJ's tax reform program. One of the key areas in which OTA provided support was in the role as project managers with TAJ counterparts to ensure that reform program activities were being implemented. OTA concluded this function at the end of March 2011, at which time PRIDE Jamaica assumed this program activity. Moving forward, PRIDE Jamaica continued to work closely with the Ministry of Finance and Planning (MoFP) and TAJ to implement the reform program activities and support efforts to meet International Monetary Fund (IMF) and Inter-American Development Bank (IDB) timeframes for tax administration reform. Many of the initiatives PRIDE Jamaica worked on were also incorporated in the current IMF agreement with Jamaica for tax reform, which came into effect in May 2013.

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

- Recommending a transition organizational structure for the TAJ that would phase into the semi-autonomous revenue authority (SARA) organization, working with TAJ to present its case for SARA to the Minister of Finance, and continually advocating for passage of legislation to establish TAJ as a SARA, which Parliament passed in March 2013.
- Coordinating with the IMF and TAJ management on various assessment areas that were reflected in the April 2010 IMF report and the draft IMF report of March 2011.
- Presenting the reform program to the IDB, resulting in a US\$35 million loan to support the tax reform program.⁵
- Developing an Action Plan for TAJ to implement each of the IMF recommendations and meet the benchmarks within the required timeframes.
- Serving on an inter-agency working group to automate the application for, and tracking of, requests for tax relief to establish a more transparent process, improve the monitoring of tax relief requests provided, and better measure the impact on revenue.

⁵ The total IDB loan amount is US\$62 million. In addition to TAJ, US\$20 million will support customs reform, and the balance of funds will support a Central Treasury Management System and Debt Management at the Ministry of Finance and Planning.

- Supporting amendments to the Tax Collection Act, which Parliament passed in March 2013, to establish designated tax arrears as uncollectible. The amendments include a provision that allows for these arrears to be removed from the active arrears inventory.
- Supporting additional amendments to the Tax Collection and Tax Penalties (Harmonisation) Acts, which Parliament passed during July and September 2014. The amendments will provide authorities to the Commissioner General to attach liens to property as a means to recover unpaid taxes.
- Advocating for passage of the Access to Third Party Information Act, passed by Parliament in July 2013, which strengthened some of TAJ's revenue assessment and collection authorities.
- Advocating for passage of the Charitable Organisations Act and Fiscal Incentives Act, passed by Parliament in October and November 2013, respectively, which are major components of the tax reform program that are intended to improve transparency, improve the MoFP's budgeting function, and strengthen taxpayer monitoring and compliance by TAJ and JCA

TAJ achieved an important benchmark on April 1, 2011—'standing up' its new domestic tax administration. Many of the reform activities, however, were just getting started. The following period was critical for TAJ's reform efforts.

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

With assistance from PRIDE Jamaica, TAJ developed and presented its case for SARA to the TAJ Executive Steering Committee (ESC) in preparation for a further presentation to Cabinet on behalf of the Minister of Finance. April 1, 2012 was the original date recommended by the IMF to establish TAJ as a SARA. PRIDE Jamaica worked closely with TAJ to prepare its presentation to the prior Minister of Finance in October 2011, and attended the discussion with the Minister as TAJ put forward its case to establish itself as a semi-autonomous revenue authority. The former Minister approved the Cabinet submission at the end of that month. With the December 2011 election bringing into office a new Government, TAJ presented this item to the new Minister of Finance and obtained his approval to prepare the required legislative changes to enable TAJ to become a semi-autonomous revenue authority. TAJ then prepared a Cabinet submission, which was presented to Cabinet. After a process of almost three years, in March 2013 Jamaica's Parliament passed legislation to establish TAJ as a SARA.

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

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

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

Figure 2 Planning and Budgeting Cycle – Business Performance Reviews



The Planning and Budgeting Cycle demonstrates readiness for Semi-Autonomous status by:

- Linking strategic planning and budgeting; planning must drive budgeting and every budget initiative must track to a strategic objective.
- Developing employee performance commitments based on the budget performance targets.
- Using structured Business Performance Reviews (BPRs) to keep the focus on achieving the performance targets.
- Developing measurable budget performance targets.
- Developing Business and Financial Plans that implement the strategic plan and budget.

The move to SARA includes several benefits that should enable TAJ to improve operational performance, with expected improvements in service delivery and compliance. These benefits include:

- Defining required performance in an unambiguous and measurable way, for which targets are set out in the performance contract;
- Delegating authority to any appropriate level of the organization;
- Having the ability to improve the human resource compliment through quality recruitment from the labor market and competitive remuneration;
- Providing for quicker response times in decision making and streamlining operations; and,
- Allowing for greater scrutiny of annual, medium and long term business planning.

Under SARA, TAJ will report to a Management Board on administrative operations. Recommendations for board representatives, which include members of the public sector, private sector and civil society, were presented to MoFP. The Board was appointed in December 2013, and convened its first meeting in January 2014. In moving toward SARA, TAJ completed and submitted more than 100 job descriptions to the Cabinet Office and the Public Service Establishment Division. TAJ updated its organization structure, finalized job descriptions and classified the positions. These are being reviewed and approved by the Cabinet Office, after which MoFP will establish the positions. After the Honorable Minister of Finance confirms an effective date for SARA to commence, TAJ will then be able to begin the hiring process within the SARA structure, which will provide TAJ with an important opportunity to seriously consider its human resource requirements as it staffs the new organization.

TAJ has been further developing its communications strategy to strengthen the culture of paying taxes. To support TAJ's public education efforts, PRIDE Jamaica, in conjunction with USAID/Jamaica, introduced TAJ colleagues to National Integrity Action Limited (NIAL)⁶. NIAL began a public information program to strengthen the culture of paying taxes in Jamaica. Discussions focused on opportunities for NIAL and TAJ to complement their messages and activities, and TAJ provided NIAL with messages and information that need to be communicated to civil society to strengthen the culture of paying taxes.

TAJ also works with secondary schools to incorporate messages in curriculum about the importance of citizens paying taxes. TAJ began to develop appropriate age level tools to communicate to primary school students some of the same messages. To support TAJ's public education efforts at the primary school level, PRIDE Jamaica participated with TAJ and USAID/Jamaica to discuss existing programs with which TAJ could engage to garner support for its primary education activities. USAID/Jamaica presented options that included Junior Achievement—another USAID/Jamaica partner—and a range of online resources that may be useful to TAJ to develop additional materials for both primary and secondary level audiences. The introduction led to several tax education activities being incorporated into Junior Achievements programs, an excellent way to inculcate young people with the understanding that paying taxes is an integral part of operating a business. These included:

- A focus on Grade Three, where the TAJ staff introduces the benefits of paying tax;
- A webinar on paying taxes; and,
- Taxpayer Registration Number (TRN) registration at the Annual General Meeting of Junior Achievement participants.

Another major aspect of the tax reform program required 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, in some instances created an unlevel playing field for taxpayers and were not always accounted for when assessing the impact on the Government's budget. Discretionary waivers have also been used to exempt charitable organizations from certain tax requirements, as Jamaica did not have a charities act that would provide tax relief for qualifying organizations.

⁶ NIAL is a not-for-profit company in Jamaica with the objective of combating corruption in Jamaica on a non-partisan basis.

Discretionary waivers became a priority issue for development partners, and 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 that is granted, with the intention of capturing applications for statutory tax relief through an automated process. Exceptions and discretionary requests for tax relief will be reviewed and evaluated by the Tax Relief Unit (TRU) within the MoFP against a clear set of criteria before a recommendation to approve or deny is presented 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. PRIDE Jamaica participated on this working group since its inception.

In 2012 the working group established 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 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 15,000 inquiries since it was established.

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, which were approved by the Financial Secretary, enabling the pilot phase of the program to begin in November 2013. The pilot phase was implemented within the MoFP and several of its departments and agencies, and has provided an important opportunity to identify software, hardware and process/operational issues to be recognized 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 to implement it.

During the course of the final program year, 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 are supporting implementation of the pilot phase of the program. Interfaces with databases at Jamaica Customs Agency (JCA) were developed, and legacy data from the Revenue Protection Division is being incorporated into the system. This will ensure that agencies will be able to conduct the required verifications when the new automated system is fully operational. The working group began its review of a draft user manual that will be used by human resource administrators and applicants to guide their use of the online system. With further updates to the system requirements during the pilot, the user manual continues to be updated. The links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>.

The pilot phase was expected to be completed in April 2014, but several factors required the pilot to be extended through September 2014. Not unexpectedly, system errors were being identified and corrected. Additional software licenses have to be procured and programming interface issues had to be resolved between different parts of the application submission and processing systems. Early in the pilot, the working group determined that additional data would be required to verify that those applying for the statutory benefit were actually eligible to receive it. An upgrade of the GOJ's E-census system will provide the employment verification that is needed, however, it will take several months for E-GJ to

develop the required upgrades and interface. 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 and improve transparency.

The working group prepared 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 inter-agency working group also reviewed a draft Debt Write-off Policy, another item addressed in several 2011 IMF reports. There were more than 75,000 taxpayer accounts in arrears, with almost half of these owing less than the equivalent of US\$200. Considered 'extreme overage' from a tax administration perspective, and, as a result, very difficult to collect, 84 percent of the arrears cases were more than three years old, and 27 percent of overall debt was attributable to public sector bodies. PRIDE Jamaica began working with TAJ at the end of 2011 to address this very large inventory of tax arrears cases. This included categorizing the arrears by tax type, age, value and classification (principal, penalties, interest); developing a prioritization system to determine which arrears should be actively pursued; establishing different collection procedures based on whether the arrears were now classified as 'High' or 'Medium'; and, procedures to also classify arrears as 'Currently not collectible.' Work with TAJ Operations in this area is covered below, in *'Supporting TAJ Tax Operations to Improve Compliance*

One of the important designations for arrears cases that PRIDE Jamaica and TAJ established during this process included 'Currently not collectible.' Establishing this category of arrears enabled TAJ to begin determining the value of tax arrears that should be removed from consideration for collection purposes. PRIDE Jamaica's work provided the framework for TAJ to develop an official 'arrears write off policy' that would remove these arrears cases from the active inventory, in addition to removing those below certain value thresholds. PRIDE Jamaica provided input to the draft policy, including some practical operational steps to strengthen the processes.

During March 2013, Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time'. This new legislation will enable TAJ to clear out a backlog of more than 70,000 arrears cases, and also allow for more than 70 percent of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. Substantial pieces of the legislation incorporate information developed by PRIDE Jamaica. This legislation will have a positive impact on establishing realistic collection targets for TAJ and provide much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will also fulfill an important role in the Government's discussions with development partners. The legislation also provides for regulations empowering the Minister in respect of providing for a tax arrears management system and for the ranking of the debt, both of which are based on PRIDE Jamaica's work with TAJ in this area.

In 2011, PRIDE Jamaica worked with TAJ to prepare a new Tax Administration Act. The act was intended to establish a single body of law with common procedures, rights and remedies for certain tax related crimes and sanctions regardless of the type of tax at issue, and to clarify taxpayer rights. This broad-based, unified tax administration act would simplify and incorporate international best practices in tax administration and support operating effectiveness and efficiencies. It would also make it easier for taxpayers to understand how to comply with the law, and enable tax administration officials to more

easily understand and apply the law more uniformly. TAJ decided that seeking passage of the act in a segmented, phased approach would be more effective rather than seeking passage of the act in its entirety.

While PRIDE Jamaica supported proposing the act in its entirety, progress was made. In June 2013, Parliament passed amendments to the Revenue Administration Act, providing broader authorities to TAJ to require third parties to provide access to taxpayer information. This will enable TAJ to more easily obtain information to support audits and settle arrears cases, among others. The debate in Parliament on these amendments was quite heated due to concerns that the authorities being provided to TAJ were too far-reaching. The amendments are one of several important aspects needed to strengthen the legal framework for tax administration operations, and are very much in line with authorities provided to most modern tax administration organizations.

The GOJ is undertaking an ambitious program to implement a number of public financial management (PFM) reforms designed to apply the principles of responsible fiscal management and improve fiscal transparency and efficiency in financial management. At the center of these reforms is the adoption of a Fiscal Responsibility Framework (FRF) to institute a Medium Term Economic Framework (MTEF), enhance debt management legislation and improve fiscal governance. As part of these efforts, the MoFP had begun a phased implementation of a Central Treasury Management System (CTMS) managed by a Steering Committee. Full implementation of CTMS is likely to take at least four to five years.

In 2014, PRIDE Jamaica began participating on the Risk Management Working Group for CTMS. The role of the working group was to identify and manage across all implementation areas potential risks that could hamper implementation of CTMS. This included developing a lessons learned database from the early phases of implementation that can strengthen implementation both of further CTMS work and other PFM reform activities. The sub-committee finalized its Terms of Reference in June and reviewed a draft risk register that the group will use to manage its activities. The sub-committee administered surveys across several stakeholder groups to understand how to assess risk as the CTMS implementation proceeds.

During PRIDE Jamaica's final year, the GOJ also completed several important legislative requirements under the IMF agreement that will support a strengthened public financial management framework for Jamaica. These legislative items will further strengthen the GOJ's ability to measure the impact of tax expenditures on revenue; improve revenue forecasting; 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 and collection authorities of the tax and customs authorities when taxpayers are not compliant.

During October 2013, 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 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 2013. 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.

Along with TAJ, PRIDE Jamaica was a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities. As part of this process, Parliament passed important amendments to the Tax Collection (Miscellaneous Provisions) Act and the Tax Penalties (Harmonisation) Act during July and September 2014. The amendments will provide authorities to the Commissioner General to attach liens to property as a means to recover unpaid taxes. The amendments also include garnishment provisions which will give the Commissioner General the power to authorize persons who hold money belonging to a person who owes taxes, or will be liable to make payment to a tax debtor, to pay the money to the tax authorities to cover tax liabilities. These provisions were previously developed by PRIDE Jamaica as part of the process to overhaul TAJ's assessment, collection and enforcement authorities.

The 'Fiscal Incentives Act, 2013,' the 'Charitable Organisations Act, 2013' and amendments to the Tax Collection Act, 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 taxpayer monitoring and compliance by TAJ and JCA.

PRIDE Jamaica participated in three 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 continue on a quarterly basis, provide an important coordinating mechanism for the GOJ with its development partners

SUPPORTING TAJ OPERATIONS TO IMPROVE COMPLIANCE

TAX ARREARS MANAGEMENT

Arising from a recommendation in the March 2011 IMF report, Tax Administration Jamaica needed to develop new processes and procedures to increase the effectiveness of its arrears collection efforts and reduce the inventory of open collectible and uncollectible accounts. Selecting tax arrears cases to work based on priority is an international best practice for tax administrations. Debt collection functions in tax administration face challenges unique to each country. The types and availability of administrative

enforcement authorities provided by local law have an impact on the methods and collectability of delinquent (arrears) tax debt.

Early on, PRIDE Jamaica determined that cases identified as *high risk for increased debt*—operating businesses that owe trust funds—because they continue to illegally take trust funds to operate their businesses, have the most serious, negative impact on overall compliance, tax revenue and on the economy in Jamaica. TAJ’s inability to swiftly enforce trust fund non-compliance by businesses meant that these delinquent taxpayers enjoy the use of trust fund “loans from the Government” to operate until TAJ brings the taxpayer into compliance.

TAJ has been addressing the issue of the excessive backlog of outstanding tax arrears cases and has made real progress. Since 2010, this has been and will continue to be a priority item for TAJ and the IMF. Working with TAJ’s Debt Arrears Unit and IT staff, PRIDE Jamaica developed a prioritization schema for these arrears cases. Based on the known factors affecting collectability, compliance, revenue and risk, and unique conditions specific to Jamaica, the TAJ working group proposed weighting for each criteria/factor. Manual tests of the weighted criteria were completed with satisfactory results. The schema was shared and discussed in depth with IT staff who understood the objectives and database fields to be used. TAJ completed the IT programming and applied these against a series of test cases. Given the very large number of taxpayers who have one or more account in arrears, the goal was to separate them into ‘HIGH’, ‘MEDIUM’ and ‘LOW’ categories based on the scoring.

PRIDE Jamaica then developed different processes and procedures for High Priority (HP) and Medium Priority (MP) casework. After a series of pilots and training for compliance officers on the new processes and approaches, TAJ implemented the new HP and MP processes at all of the TAJ Revenue Service Centres (RSC’s) during 2012. For the GOJ fiscal year ending March 31, 2013, total tax arrears collections increased 6% over the prior fiscal year. TAJ closed 9,429 High and Medium priority cases, valued at over US\$26 million.

The 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. TAJ has implemented these new processes in all of the Revenue Service Centres (RSC’s), and has reoriented its tax arrears operations to focus on the High Priority (HP) and Medium Priority (MP) cases. Compliance Officers (CO’s) are now utilizing the new procedures and applying all the compliance remedies available, which should result in closing the higher value arrears cases and increasing revenue collections from tax arrears. This will form an important component of TAJ’s revenue collection targets to meet the IMF revenue benchmarks.

PRIDE Jamaica also developed a variety of standard use forms and these have been incorporated into the Handbook, which include:

- A Taxpayer Information Form for Companies and one for Individuals
- Demand Notice and Reminder Notice
- Arrangement Agreement and Checklist for Arrangements
- Debt Management Case History Record
- Report of Currently Not Collectible Form
- Debt Management Case Time Record
- Daily Report of Compliance Officer’s Activity
- Collection Information Statement for Companies and for Individuals
- High Priority Weekly Program Report
- Medium Priority Weekly Program Report

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 2013. TAJ is beginning the process of identifying and classifying the appropriate tax arrears accounts that are uncollectible to remove those cases from the 'active' accounts register. Removing this backlog of more than 70,000 uncollectible cases will allow TAJ to concentrate its resources on collectible accounts, reduce time expended to cleanse stale data and identify more realistic projections for arrears revenue collections.

PRIDE Jamaica worked with TAJ to ensure that staff resources allocated to this effort are balanced with activities to close those revenue-generating cases that are open. PRIDE Jamaica reviewed the draft of the implementing procedures and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE Jamaica included 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 not longer than a specific period of time, establishing a de facto statute of limitations, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing revenue generating cases that are open.

To further support improvements in tax arrears collection, PRIDE Jamaica worked with the Tax Arrears Management Unit (TAMU) in Programmes to prepare TAJ's Fiscal Year (FY) 2013-2014 Tax Arrears Management Annual Plan.⁷ To develop the new plan, PRIDE Jamaica and TAJ modified the framework of the prior year's plan (also developed with support from PRIDE Jamaica) to reflect current arrears inventories, revised staffing allowances and the "experience rates"⁸ for projected closures. TAJ captured data in the form of hours charged per case, which now allows TAJ to adjust experience rates to reflect the actual time required to close cases. Terms were updated to include 'compliance leads', instead of 'stop-filer language'. TAJ revised this to acknowledge that stop-filer is but one type of compliance lead. The new 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 case inventories in some RSC locations.

PRIDE Jamaica worked with TAMU to resolve implementation issues at the RSC's with the Annual Plan. Issues existed with regard to accurate reporting of time spent by Compliance Officers (CO's) to work cases, and some of the RSC's had concerns about the experience rates allocated to close cases. The RSC's believed that the standards for field and office case closures were too low. Based on case files that were reviewed by TAMU and PRIDE Jamaica, the results indicated that the standards were too high, meaning the cases could be closed, on average, in less time. PRIDE Jamaica suggested a two-phase process to validate the rates. First, the Programmes Office needed to establish documentation standards that Compliance Officers needed to complete for each case worked. Second, managers of the CO's needed to establish clear expectations that CO's would adhere to these standards. TAMU received very positive feedback from the RSC's regarding the instructions accompanying the plan that explained how to apply treatments to cases, documentation to be completed, the processes to close cases and how to properly complete monthly reports. RSC managers said these clear instructions are strengthening implementation of the systems and improving the quality of case work completed by Compliance Officers.

⁷ The Government of Jamaica's fiscal year begins on April 1 and ends on March 31.

⁸ Experience rates refer to the number of total hours required by a Compliance Officer to close a case.

TAJ determined that there was a need to strengthen the skills of Team Leaders and Compliance Officers to improve tax collections from these arrears cases. Arising from this need, PRIDE Jamaica and TAJ developed and delivered a comprehensive, practical training program to improve collections. Training topics included:

- managing the tax arrears inventory
- gathering and analyzing taxpayer financial information
- effectively assessing a taxpayer's ability to pay tax arrears
- Compliance Officer interview skills and techniques
- investigative techniques to locate taxpayers and/or their assets and income sources
- negotiating payment arrangements (Arrangement Agreements)
- conducting full compliance checks
- enforcement actions for tax arrears accounts

TAJ and PRIDE Jamaica provided training to more than 50 arrears collection team leaders and team leader designates during the past two years. Feedback from participants confirmed that the training has made it much clearer how to effectively implement the new systems to close arrears cases and achieve the results that are now expected.

These training sessions also provided a valuable opportunity for staff to raise taxpayer compliance issues and share information about how to improve collections. During one training program, participants discussed compliance issues within the entertainment and events sector. Promoters in Jamaica are obligated to withhold tax on payments made to foreign performers who perform in Jamaica, and compliance in this area is low. Arising from this discussion, PRIDE Jamaica worked with Compliance Officers to identify approaches to trigger improved compliance. Working in conjunction with local Parish Council offices, TAJ identified that promoters require a variety of permits issued at the Parish Council level. Working with the Ministry of Local Government, TAJ requested a change in administrative processes at the Parish Council level, requiring promoters to present a valid Tax Compliance Certificate (TCC) as part of the process to obtain the requisite permits for events. The Ministry of Local Government is also working with TAJ to include compliance on property tax payments as a prerequisite to obtain a TCC. Parish Councils receive the majority of their operating revenue from property tax payments. Incorporating property tax compliance into the TCC process would also strengthen compliance in this area. The new administrative procedures are intended to improve compliance by promoters, and the owners of the venues where events are staged.

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 developed for Team Leaders of High and Medium priority arrears teams. TAMU and PRIDE Jamaica conducted training for 77 CO's during PRIDE Jamaica's last program year. 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.

To institutionalize the new procedures, TAMU incorporated aspects of the CO training materials and the Tax Arrears Management Handbook into a new SOP manual for tax arrears collection. The draft of the new manual was reviewed and edited by staff from other TAJ units and PRIDE Jamaica. The final document had been delayed due to demands on staff to update a range of forms that are required to

incorporate elements of the new Fiscal Incentives Act. During July 2014, PRIDE Jamaica and TAJ renewed efforts to finalize the SOP manual so that it can be finalized and then distributed to all of the RSC's. The draft final SOP manual has been distributed to all units and TAJ advised PRIDE Jamaica that the SOP manual will be published in its complete form before the start of the next Government of Jamaica (GOJ) fiscal year.

PRIDE Jamaica continued to focus on improving the quality and timeliness of work by Team Leaders and CO's at the Revenue Service Centres to more effectively close tax arrears and Compliance Lead (C-lead) cases. TAMU and PRIDE Jamaica conducted periodic reviews of CO's arrears cases at the RSC's and these reviews indicate that improvement continues to be made in the quality and timeliness of casework and case management. The new report forms and procedures are being utilized more uniformly across RSC's, 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 gathering US\$22,595,400 from High Priority and Medium Priority arrears cases during PRIDE Jamaica's final program year.

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 casework 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 incorporated a PRIDE Jamaica recommendation for AGMs 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.

As part of the planning process to prepare for the current GOJ FY 2014/2015 fiscal year, PRIDE Jamaica and TAMU analyzed the results from the FY 2013/2014 TAM Annual Plan in relation to available staffing. The results indicated, not unusually, that there is far more casework in both arrears and compliance leads (C-leads) than can be handled, based on current staffing. TAMU has also 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.

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. PRIDE Jamaica continued to recommend that TAJ use risk analysis methodology to rank the C-leads issued to the RSC's to ensure that the highest priority cases are worked based on dollar value and revenue potential. In the future, system-based computer runs will be conducted periodically to identify those leads that are still active and remove those where the tax returns have been filed.⁹ The analysis further confirmed that the new

⁹ 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.

tax arrears write-off regulations will be an important factor in enabling TAJ to close a larger number of uncollectible, open arrears cases. Implementation of the write-off regulations will help clear unproductive inventory and, moving forward, enable TAJ to focus resources on more productive cases.

In preparation for the current 2014/2015 fiscal year, PRIDE Jamaica worked with TAMU to develop the framework for 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. TAJ began implementing the FY 2014/2015 Tax Arrears Management Annual Plan on April 1, 2014, the start of the GOJ’s new 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 new experience rates reflect fewer hours required by CO’s to close High Priority cases, while time to close Medium Priority and C-leads cases remain unchanged. The new plan also allows for the detailing of five percent of CO’s direct time (lending staff time) for Taxpayer Services work at their RSC Offices. TAMU reviewed the plan with all of the RSC’s to ensure that they understand how staff time has been allocated and the expectations for case closures.

Part of PRIDE Jamaica’s ongoing support 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 on TAJ’s tax arrears collection performance to executive management and the Tax Arrears Management Unit in Programmes. The 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.

Utilizing the monthly reports will also allow TAMU managers to more accurately assess on a regular basis the performance of CO’s and RSC’s against Annual Plan expectations. This is a critical component that will allow managers at all levels to identify opportunities to improve results throughout the year, rather than just assessing overall annual performance at the end of the fiscal year when it is too late for corrections to be made. 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 easily available system generated reports 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 C-lead cases.

There is also a need for managers to better utilize the data from the reports to assess results and take early corrective action to improve program design and CO performance. To strengthen the arrears management function, PRIDE Jamaica conducted a data analysis workshop for nineteen TAM AGM’s and Team Leaders in August. The workshop provided an opportunity to strengthen the capacity of the AGM’s to analyze and better utilize the report information they prepare each month as a tool to assess performance of CO’s and take corrective action to improve results. TAJ and PRIDE Jamaica further refined the need for formal Continuing Professional Education (CPE) for CO’s. The FY 2014/2015 TAM Annual Plan specifies additional training time for CO’s.

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. Utilizing data that is collected from internal reporting mechanisms to manage programs and improve results is a skill that TAJ will need to continue cultivating throughout the organization.

AUDIT CASE SELECTION AND AUDIT MANAGEMENT

PRIDE Jamaica supported TAJ to improve tax compliance by implementing risk-based computerized scoring systems to select cases for audit. PRIDE Jamaica 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. The new annual audit plan format developed by PRIDE Jamaica integrated the classes that were established for the risk formulas, and these were incorporated into the previous FY 2012/2013 and FY 2013/2014 Annual Audit Plans.

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

Earlier annual audit plans did not control the assignment of cases to maintain a balanced approach in determining which cases entered the audit stream. The single tax, smaller cases would fit into a plan to meet key result area standards, but this does not meet the test of best practice for an audit strategy. The determination of whether a case should focus on just the assigned tax return or be expanded to cover additional tax returns can only be properly made when the auditor performs the audit and assesses the extent of compliance or non-compliance.

To support TAJ's use of this new risk-based approach to audit case selection, PRIDE Jamaica worked with the Audit and Investigations Programmes team to prepare the 2012/2013 Annual Audit Plan. The plan directed work for Jamaica's fiscal year in an integrated manner and reflected TAJ's new capability to score returns by a new set of classes. PRIDE Jamaica developed new policies that provide a framework for TAJ's audit activities. The annual results of TAJ's 2012/2013 Annual Audit Plan demonstrated some substantial improvements over the previous fiscal year. ***The value of audit assessments increased 72% over the value of audit assessments from the previous fiscal year. The percentage of 'no change' audits declined, from 9.47% during the FY 2011/2012, to 4.86% in FY 2012/2013. This is a reduction of almost 50%, and is an important measure in the audit function.*** It demonstrates that more audit cases are being selected which result in an additional assessment. Since audits are an expensive way to obtain compliance (and revenue), a tax administration needs to allocate audit resources to cases in which it expects there will be a change in the tax yield. Both of these results represent substantial improvements in TAJ's audit function. This is a combination of factors, including, among others, better case selection, developing and implementing better annual plans, and adhering to the plan.

Building on this earlier support, PRIDE Jamaica worked with AIU to develop the FY 2013/2014 Annual Audit Plan. The plan incorporated the data elements from the FY 2012/2013 Annual Audit Plan that were developed by PRIDE Jamaica. While time tracking information from the 2012/2013 plan should have been used as a basis to allocate audit resources for the new plan, the Audit Unit applied best judgments to allocate audit resources in the new plan since the data was not robust. Visits with the RSC's also revealed that the staff years allocated for audits during the GOJ's FY 2012/2013 fiscal year had changed. The Audit Unit has worked with RSC's to ensure the monthly time reports, and monthly

reports in general, are prepared accurately. The reports TAJ is now using to provide updated monthly information on implementation of the current year plan can provide useful parameters such as time and yield (dollars assessed) per return, and audit case years per taxpayer, among others. The Audit Unit finalized the draft FY 2013/2014 and completed its meetings with the RSC's to discuss annual plan targets.

In preparation for the GOJ's current fiscal year, PRIDE Jamaica and AIU developed the FY 2014/2015 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.

One of the key factors affecting the FY 2014/2015 Annual Audit Plan was the uncertainty regarding the number of auditors that would be hired during the fiscal year. TAJ is finalizing its personnel requirements, which include the timing of hiring and the allocation of auditors to each of the RSC's. This is in accord with planning for its new SARA status and in keeping with IMF requirements to substantially increase the number of auditors in the Large Taxpayer Office. 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 during the fiscal year. During times of major expansion in audit personnel it is not unusual to see a reduced number of audits completed until new personnel are fully trained. 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 during the fiscal year for the priority audit areas. With staffing plans and experience levels continuing to change, the Annual Plan is being updated throughout the fiscal year.

Another important aspect for planning included the review of data from the FY 2013/2014 Annual Plan to determine how these results would be factored into assumptions for the current fiscal year. Results for the last fiscal year were most affected by the large number of transfers of auditors that took place from the RSC's to the LTO, mostly between June and September 2013. 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 and results for the current fiscal year.

PRIDE Jamaica and AIU also reviewed the definition of 'closed case' that TAJ applies to audits. AIU indicated that TAJ had 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 worked 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 2012-2013 program year by reviewing training materials from an older TAJ training series. During the final program year, AIU and PRIDE Jamaica revised existing materials and developed new ones that 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.

PRIDE Jamaica and TAJ conducted a test of the materials with trainers in May 2014, and the first training for Audit Managers took place in September.

COMPLIANCE PROGRAMS

In March 2011, the IMF highlighted the continuing need for TAJ to strengthen the operations of the Forensic Data-mining Unit (FDU) to support all areas of tax compliance including audit, improving debt management and collections and expanding the taxpayer net. The FDU gathers information from various sources and matches this against TAJ databases, identifying potential unregistered taxpayer entities, non-filers and stop-filers (those taxpayer entities that are registered and have stopped filing the required tax returns) to expand the taxpayer base and improve revenue collection. These potential compliance leads are then screened against additional TAJ information sources to determine if tax returns have been filed and paid as required, and to assess the overall degree of potential non-compliance. TAJ then develops and implements compliance programs to improve compliance among these taxpayer groups. In order to effectively and efficiently work the tax compliance leads generated by the FDU, TAJ required a risk management system developed on the basis of risk criteria for the various categories of leads among the existing base of taxpayers to assure that the high-potential/risk cases are identified for priority action.

Responding to this priority item, PRIDE Jamaica provided an initial round of support to the FDU in 2011. Working with TAJ counterparts, PRIDE Jamaica completed a review and analysis of the system and methodology used by the FDU to gather data and identify economic entities (corporations, group companies, partnerships, etc.) for potential tax compliance leads.

PRIDE Jamaica also developed new procedures to identify taxpayer entities for potential tax compliance leads and selected a sample set of leads to test and pilot the procedures. As a result of applying selected criteria, 640 taxpayer leads were identified for assignment to conduct the initial phase of the pilot program. The leads were assigned to Compliance Officers at three RSC's to begin working the compliance leads using the new methodology.

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

TAJ is taking a more proactive approach toward informing the public about its compliance activities. TAJ 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.

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. 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.

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

To apply an integrated approach between developing compliance leads and implementing compliance programs, PRIDE Jamaica recommended that FDU and TAMU prepare one work plan for compliance leads. PRIDE Jamaica's recommendation was based on the need to integrate two separate functions (FDU and TAMU), both of which are responsible for various aspects of the work plan. Joint ownership for these activities is very important, and this is strengthened by having one, integrated work plan. The DCG Operations confirmed that this is what TAJ required to effectively monitor compliance program activities. To further this effort, PRIDE Jamaica worked with FDU and TAMU to develop the FDU/TAMU Compliance Leads Work Plan for the GOJ's 2013/2014 fiscal year.

The plan includes compliance programs for income tax non-filers and stop-filers, and 'Pay As You Earn' (PAYE) non-filers and stop-filers, in addition to under-reporters (who will be referred to the Audit function). FDU data-mining activities will also use various internal and external databases to identify taxpayers in the following categories:

- New taxpayers;
- Taxpayers with additional registration obligations;
- Taxpayers with incorrect reporting and payment issues;
- High Profile / High Value taxpayers acquiring high-value properties, motor vehicles and other assets; and,
- Guest Accommodation Room Tax (GART) potential taxpayers.

To improve implementation and reporting, PRIDE Jamaica worked with TAMU to develop the Programme document containing the new standardized processes, procedures and reports that Programmes and the RSC's are now using. PRIDE Jamaica and TAMU also developed a new performance report to easily provide executive management with information about program results.

This work plan system is a substantial improvement in the approach by the Programmes Office to assure the various programs are developed, assigned and worked on a timely basis. The activity reporting systems have been vastly improved so accurate data can be gathered to determine the level of accomplishment and results for each program. This information will provide management with decision-making data on whether to expand a particular program or to discontinue a program that is not producing the anticipated results.

PRIDE Jamaica also worked with the Programmes Unit to develop the Annual Taxpayer Compliance Plan for FY 2013/2014 and the related Compliance Leads Work Plans for both FDU and TAMU. The Programmes Unit finalized the document and issued it and the work plan documents to the RSC's for full implementation.

During the PRIDE Program, TAJ implemented a number of new compliance programs. An early program addressed compliance issues among the 'Professionals' segment of taxpayers that includes attorneys, accountants, doctors, architects and other professional occupations. There were approximately 1,800 potential leads that resulted from the FDU information gathering and TAJ screening. To improve processes for this program, PRIDE Jamaica assisted TAJ to prepare and issue the Professionals Compliance Leads Programme Memo and Guidelines to all the RSC's. PRIDE Jamaica recommended that TAJ begin this compliance program using three RSC's as pilot offices to test both the quality of leads produced and the process for working these compliance leads.

TAMU completed and issued the Compliance Leads Programme for Stop-Filers (Missing SOI, Missing Estimated Tax Obligations, Missing Education Tax Obligations, Stop-Filers and Non-Filers) – FY 2013/2014 Procedures, Forms and Reports document to all RSC's and the Special Enforcement Team. This document also contains the Compliance Leads Activity Report for Income Tax Stop-Filers: 2012-2013 and the Compliance Leads Programme Fortnightly Report that includes the programs above, in addition to the Education Tax and Guest Accommodation Room Tax (GART) compliance leads categories. PRIDE Jamaica strongly recommended that FDU and TAMU prioritize and then issue compliance leads to the RSC's on a monthly basis for those stop-filer programs pertaining to monthly filing requirements, rather than issuing the leads quarterly. Issuing leads monthly will allow for better work flow at the RSC's and enable TAJ to pursue stop-filer leads on a timely basis. Prompt intervention with taxpayers is critical to improve collections on tax arrears.

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. Little was collected from C-leads cases during the October 2013 through March 2014 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, given that CO's already had more HP and MP arrears cases than they could complete during the same period. This provided further confirmation from CO's that FDU should review and prioritize leads before these are issued to the RSC's to ensure that the leads are active. The TAJ executive management and Programmes continue to reinforce with the RSC managers the importance of properly and fully implementing various compliance leads programs, including timely and accurate reporting of results.

PRIDE Jamaica and TAMU reviewed the status and results of several of the compliance programs, some completed and others that were in process. These include two 'Income Tax Stop-filers' programs and the 'Professionals Income Tax Non-filers' program. Early results from the first 'Stop-filers' program were not meeting expectations. For those returns that were secured and included a balance due, most taxpayers did not pay the full balance at the time of filing. The unpaid tax balances will be assessed and a balance due notice to include the appropriate tax, interest, penalties and sanctions will be sent to the taxpayer entity. The findings also revealed that initial actions, including delivering or mailing a Form 13 to the taxpayer, were completed on a timely basis. Subsequent actions taken by Compliance Officers were not properly or completely documented as required. Rather than utilize a 'pilot' to test a smaller sample of leads at a few RSC's to determine if the cases were productive, a full leads list was issued to all the RSC's. Since FDU had not conducted a second review and data cleansing of the leads, Compliance Officers spent time contacting taxpayers who had actually filed returns.

By the end of September 2013, implementation of the new program procedures improved, and results confirm this. A major factor is that TAJ has institutionalized the compliance lead programs in each RSC, and the programs are now an important part of the tax arrears management program. The current compliance lead program system implemented in the GOJ's 2013/2014 fiscal year is providing the report

data and other valuable information to establish a “base year” to measure the numerous compliance programs that will be initiated in subsequent fiscal years by TAJ.

Table I Compliance Leads Program Results April – September 2013 (FY 2013/2014)

Name of Compliance Leads Program	Amount Collected in J\$
2012 Income Tax Stop Filer	315,797,189
Missing SO 1 (PAYE Monthly Tax Return)	3,645,477
Missing SO 2 (PAYE Annual Tax Return)	386,762
Missing Education Tax (Ed Tax Annual Return)	3,241,990
No 2013 Estimated Tax Declaration Filed	1,109,991,364
TOTALS	1,433,062,782

Improving compliance by implementing risk-based assessments to select audit cases and improving the audit management function have been other areas of ongoing strategic focus by PRIDE Jamaica and TAJ. PRIDE Jamaica previously completed work with the Forensic Data-mining Unit (FDU) and the Audit Unit 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. The new annual audit plan format previously developed by PRIDE Jamaica integrated the classes that were established for the risk formulas, and these were incorporated into the FY 2012/2013 and the FY 2013/2014 Annual Audit Plans.

Results of the 2013/2014 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 implemented PRIDE Jamaica’s recommendation of conducting a second data cleansing of leads to ensure that these are still fresh when they are sent to the RSC’s. 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 collected a total of US\$13,936,500 from C-leads cases during the 2013/2014 fiscal year.

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 2013/2014 fiscal year. During January 2014 PRIDE Jamaica, TAMU and FDU established a schedule to complete the upcoming work plans in preparation for the 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 and TAMU have been strengthening the integration of the work by CO’s and case referral to SET through the CO training. PRIDE Jamaica continued its work with SET in June 2014 and developed an annual work plan for the unit, similar to the format PRIDE Jamaica previously developed for TAMU. The plan includes key categories of work, staffing allocations converted to direct hours of activity and experience rates for each type of work. It calculates the expected number of case closures per month so that the SET manager can monitor case activity in the unit. Implementation of this work

plan is essential to allow SET and the Intelligence, Investigations and Enforcement leadership to manage the work flow of the SET unit.

To further strengthen SET's operations, PRIDE Jamaica provided "pre-seizure" considerations that should be evaluated before a decision to enforce is acted upon. By using the checklist to ensure adequate planning and execution of an anticipated seizure action, the SET unit can minimize any potential problems that may arise when taking the enforcement action. SET now needs to demonstrate success in the seizure area. It is also critical that SET receive the highest level of support from the senior executive to demonstrate genuine support for this work. A final point of support in the program centers on the need for publicity when enforcement activities occur. Besides the benefits of collecting outstanding taxes through the use of enforcement, a broader impact of enforcement action occurs when the public becomes aware that TAJ is not quietly accepting noncompliance of taxpayers. This is especially true in the area of trust fund taxes, such as PAYE and GCT.

During May 2014, PRIDE Jamaica worked with SET to review SET Compliance Officers' application of the new case work approach. SET's CO's have established case files for their cases and will need to obtain information from the RSC's to fully update all of the files. PRIDE Jamaica recommended some changes to ensure that SET receives the entire taxpayer file from the RSC's during the transfer of a case to SET. SET has also implemented a PRIDE Jamaica recommendation to assign cases to individual SET officers, rather than have all cases worked by the entire team, which should improve overall case management. To better align SET's role with collection and enforcement functions, PRIDE Jamaica worked with SET to establish updated performance indicators for the unit.

PRIDE Jamaica also reviewed the process of referring cases to SET and the referral of potential fraud cases between RSC's and Intelligence, Investigations and Enforcement. In the case of SET referrals, there are pending procedures which have been circulated at the Programmes Office and RSC's to secure additional comments, with a view to having the procedures finalized and implemented. Issues at the RSC's currently relate to the threshold levels that must be reached before referring cases to SET. Some RSC's believe that low value cases may still need to be worked by SET. PRIDE Jamaica recommended that while the general policy is that only Medium and High value cases are to be worked, the possibility should remain for any taxpayer case to receive proper enforcement activity. The suggestion is to reinforce the idea that certain difficult taxpayers can be properly referred for SET action regardless of the threshold value.

PRIDE Jamaica also reviewed the referral of potential fraud cases from Audit to Intelligence and Investigations. The Programmes Office and the General Manager (GM) of Intelligence, Investigations, and Enforcement have conducted training for this type of referral. There is reluctance, however, on the part of audit personnel to refer cases because they believe that referral will take too much time for case development, diminish revenue assessed and result in diminished "credit" to the RSC for audit results. While these sentiments are understandable, it should be emphasized that a vibrant "fraud referral" program is essential for any tax administration. The reluctance of audit personnel to refer cases is not uncommon among major tax administrations around the world, but it must be challenged in order to identify and prosecute significant fraud within the taxpayer community.

Improving voluntary compliance is a key objective for TAJ. 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 the FDU in order to strengthen internal management and accountability.

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.

STRENGTHENING THE LARGE TAXPAYER OFFICE

In October 2011, the IMF suggested that the LTO could benefit from support to bolster audit activities in several high priority sectors to mobilize revenue collection. Since December 2011, PRIDE Jamaica worked closely with the LTO to strengthen its abilities to improve taxpayer compliance. Throughout the implementation of this activity, PRIDE Jamaica worked closely with TAJ to strengthen capacity and institutionalize this capability.

To support the process, PRIDE Jamaica engaged with LTO to support audit activities in telecommunications. PRIDE Jamaica outlined the framework and began audit planning with LTO colleagues. This included audit strategy, particularly in regard to gathering documentation that is required from clients in order to conduct the audit. One example is the ‘Capital Equipment Schedule Framework’. To prepare for the review of data, PRIDE Jamaica prepared a ‘Summary of Risks, Justification, Tests and Expected Results’ based on the information being requested from firms, and also completed probable test harnesses, databases and script commands for prospect data combinations for simulation purposes. As a result of PRIDE Jamaica’s support to TAJ’s work in this sector, overall taxpayer compliance is improving. In 2012, **revenue collection among large taxpayers increased in a two month period by US\$68 million more than the same period the previous year.**

As the review of information in the telecommunications sector 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. During the review of data, TAJ recognized the need to reconfirm the requirement for telecommunications firms to pay the General Consumption Tax (GCT) on the face value of prepaid time it sells, even to wholesalers. The Minister of Finance announced changes to the GCT Act in February 2013 to increase compliance, ensuring that GCT, which may be collected by non-registered taxpayers, is accounted for by the telecommunications providers. Work on this activity also further confirmed the need for TAJ to strengthen its assessment, collection and enforcement authorities as a means to improve taxpayer compliance.

To further institutionalize capability transfer, 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 through the project’s end. This is an important step toward supplementing the technical support PRIDE Jamaica provided, and will also be important as the LTO undertakes taxpayer compliance improvement activities in other sectors. As the LTO began preparing to conduct audits in the large retail sector, PRIDE Jamaica completed a first review of the LTO’s pre-assessment activities. To assist their efforts, PRIDE Jamaica prepared additional data analysis training materials to strengthen the LTO’s use of computer-based data analysis tools. The LTO will apply these tools to the upcoming audits in the large retail sector and to audits it conducts in other sectors.

Along with TAJ, PRIDE Jamaica has been a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities, and 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. Changes to existing legislation and entirely new legislation, in addition to technical training, will be needed to strengthen TAJ's ability to address these issues.

The 'Third Party Information Act...2013' was passed by Parliament in July 2013, and the implementing guidelines were established during the last program year. These guidelines allow units within TAJ to interface with external entities to obtain information that may be needed to improve taxpayer compliance, and penalties were increased for failing to provide information. TAJ is now utilizing these guidelines within its compliance programs

Parliament also passed amendments to the Tax Collection Act and the Tax Penalties (Harmonisation) bill. The amendments originally proposed to the Tax Collection Act in the House version of the bill would provide direct authorities to the Commissioner General (CG) to attach liens to property as a means to recover unpaid taxes and also included garnishment provisions giving the CG the authority to authorize persons who have payments due to a person who owes taxes to pay the money to the tax authorities to cover tax liabilities.

When the amendments to the Tax Collection Act reached the Senate, these provisions were revised to require that a Supreme Court judge determine whether a lien should be attached to property. In this determination, the judge will have to consider whether the taxpayer acknowledges the amount owed. These further amendments greatly reduce the authority of the CG and TAJ to improve compliance.

The Tax Penalties (Harmonisation) Bill standardizes penalty rates applied to delinquencies across various tax types. Previously, different penalty rates were applied based on the type of tax. This evolved into a highly complex process for TAJ and taxpayers to determine the value of interest, penalties and surcharges due on unpaid taxes due. The Senate amendments to the House bill also specify that amounts paid by a taxpayer shall first be applied to the principal amount owed, followed by payments against amounts owed for interest, penalties and surcharges. The need to standardize penalties across tax types, and applying payments first to principal were two early recommendations developed by PRIDE Jamaica when TAJ and PRIDE Jamaica began an overhaul of tax legislation in 2011.

RECORDS MANAGEMENT

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 system. 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 the electronic storage of documents.

As part of implementing the integrated IT solution, TAJ established a working group to create new procedures for records management across all functional areas. PRIDE Jamaica participated on the working group, which includes staff representatives from Records Management and Operations functions, ensuring 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 RESOURCES

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

USAID/Jamaica hosted meetings with donors and interfaced with senior levels of Jamaica's political directorate to garner support for TAJ's reform program. Arising from these discussions and with the detailed outline of the costs to reform TAJ in hand, the IDB approved a US\$35 million loan in December 2011 to the Government of Jamaica to support tax administration reform. The document that formed the basis of technical support to TAJ was the fully costed MIP.

The Ministry of Finance and Planning (MoFP) is managing the implementation of the IDB loan funds to support tax and customs reform.¹⁰ 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. TAJ executed a contract with Fast Enterprises, a US-based firm, to design and implement a new IT system for the administration 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.

In 2013, PRIDE Jamaica participated in a two day workshop with representatives from MoFP, TAJ, Jamaica Customs, Planning Institute of Jamaica, the IDB and the IMF to discuss Jamaica's overall tax reform program. The workshop focused on updating action items and timeframes that were developed two years ago to support Jamaica's tax reform program, and to update the status of reform activities that were in process. This workshop served as a prelude to an internal oversight committee that MoFP established after the GOJ signed a new agreement with the IMF in May 2013. The committee, which includes representatives from the public and private sectors, is overseeing the integration of cross-

¹⁰ Jamaica Customs, the Central Treasury Management System and Debt Management Unit all received funding under the IDB loan, which is likely to total US\$62 million.

cutting issues and resource requirements to strengthen implementation of Jamaica's tax reform program. The committee is also monitoring implementation of activities among the tax reform component areas required to meet IMF benchmarks. Several private sector representatives from the committee have said Jamaica has done well to meet some of the early benchmarks, but strong commitment will be needed to ensure that Jamaica meets ongoing benchmarks of the IMF agreement.

The International Finance Corporation (IFC) and PRIDE Jamaica worked 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 coordinated efforts to maximize the impact of activities that are implemented. PRIDE Jamaica and the IFC also discussed activities in the area of Customer Service, and the IFC is undertaking a project with TAJ to strengthen its strategic communications.

The MoFP organized three comprehensive meetings for development partners during the past year 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 final program year, PRIDE Jamaica met with representatives from the new, USAID/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.

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

DEVELOPMENT APPROVALS PROCESS

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

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

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

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

An official event held on March 2011 to launch the DAC was attended by the Hon. Prime Minister of Jamaica, the United States Ambassador to Jamaica, USAID/Jamaica’s Mission Director, Ministers of Government, other GOJ officials, and private sector leaders. The launch which took place at the DAC was hosted by the Jamaica Chamber of Commerce.

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

A perceptive index of how effective the DAC has been can be drawn from the results of a DAC customer service evaluation survey involving 84 respondents. Results indicate a 99% satisfaction level with the service of the DAC. In the case of the “dissatisfied” 1%, the services being requested by the client were not within the remit of the DAC and so the DAC did not have the capacity to respond to the needs of the individual. The team at the DAC advises that they are assisting processes that had not been contemplated. In this regard, DAC staff are not only being asked to consult “development” and “construction” projects but from time to time are consulted for information relating to “permitting” and “legal” guidelines. This broadens the scope of the DAC, and the very process suggests the need for gradual expansion of services to incorporate other elements of the approval process beyond the pre-consultation and facilitation role. The DAC may well represent a mechanism to transition a One Stop Shop for Development Approvals.



Figure 3 Client taking advantage of pre-consultation and facilitation support from a member of the Development Assistance Centre’s technical team for a large development project.

USAID/Jamaica through the PRIDE Jamaica project also provided support to an activity that the Government of Jamaica expressed a desire to institute and to implement, and one which has been guided by recommendations made by the PPP under the JCC Legs and Regs Project. This activity is the development of a Legal Opinion for statutory enabling of a Two Tier System of development approvals.

PRIDE Jamaica undertook the preparation of the Legal Opinion that was authored by a Legislative and Regulatory Attorney-at-law in consultation with various stakeholders to include Office of the Prime Minister, Office of the Cabinet, NEPA, Solicitor General's Department, other Regulatory and Commenting Agencies, UWI and UTECH Law Faculties.

The Legal Opinion has taken a close look at existing common-law as it affects (a) the shortcomings of delay in the processing of applications and (b) lack of provision of critical feedback to applicants. It has concluded that the common law does give full support to purging the development approvals systems of those shortcomings, without resort to legislation.

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

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

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

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

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

- A. In law there is a statutory and common law duty owed by them to applicants;
- B. There are nine standards of that duty;
- C. That setting official policy guidelines for timely performance of the statutory approval functions involves these nine duty standards;
- D. That should the agency fail any one of these standards it would be in breach of its own statutory obligation and infringe upon the legal rights of the applicant.

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

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

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

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

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

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

Table 2 DAC Reform Activities Conducted to enhance DAC Operations

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

RECOMMENDATIONS PROPOSED TO THE GOVERNMENT OF JAMAICA

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

Table 3 Recommendations Proposed to Government of Jamaica

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

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

Based on guidance from USAID/Jamaica, PRIDE Jamaica ended activities that provided direct support to development approval reform after the second program year. PRIDE Jamaica concluded direct support to the DAP reform effort at the end of April 2011 when the Legal Opinion was completed. This timeline closely coincided with the deadline designated by the Government of Jamaica and the ACRE Task Force to conclude the pilot phase of the Development Assistance Centre.

IMPORT/EXPORT PROCESSES

PROCESS MAPPING AND COLLABORATION WITH THE TRADE COMMUNITY SYSTEM PARTNERSHIP

As part of its modernization drive, the Government of Jamaica (GOJ) expressed its commitment towards improving the efficiency of the trade facilitation process in Jamaica. The overarching goal of the Import/Export activity was to enhance trade facilitation and improve Jamaica’s global competitiveness by improving the business enabling environment, particularly for those businesses involved with the import and export of goods. Activities implemented by PRIDE Jamaica addressed the high costs and time delays to complete the import and export processes. In response to this effort, PRIDE Jamaica, working alongside the Trade Community System Partnership (TCSP), a public-private partnership (PPP) focused on the implementation of an integrated Information and Communication technology (ICT) platform for trade in Jamaica – a Port Community System (PCS), commissioned an ‘AS IS’ Process Mapping Study as the first step toward process improvement. The TCSP’s PCS initiative primarily involved participation by

the Port Authority of Jamaica (PAJ) and Jamaica Customs, along with the Shipping Association of Jamaica (SAJ) and other private sector stakeholders.

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

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

Figure 4 Port Community System



To assist preparations for procurement of the proposed ICT solution, PRIDE Jamaica provided technical assistance to the trade community by conducting a complete mapping of the processes of the various agencies involved with the trade process. This added a measure of transparency to the import/export process and also provided an opportunity to re-focus and energize the trade sector. Specifically, the mapping report advocates for re-engineering of business processes and those activities that stimulate economic growth; particularly through increased revenues from exports, utilizing risk-based approaches in line with work that was being undertaken at Jamaica Customs. The GOJ and the Shipping Association of Jamaica publicly acknowledged USAID/Jamaica's support for this work.

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

The mapping assessment was conducted through interviews with at least thirty trading community professionals and the processes were mapped according to their respective experiences. The report identified the import and export business processes across relevant agencies and customers, using process maps and flow diagrams to demonstrate interactions between the stakeholders within the Jamaican trading community. It also provided a snapshot of the current situation as it relates to information systems within the port community and regulatory agencies. Some recommendations for an automated integrated business process solution were provided. The study allowed for the modification of a few processes, simply by highlighting areas of overlap and redundancy in Customs/trade processes, which included the implementation of recommendations to reduce processing time on flagged entries and increase time available for greater analysis within customs risk management operations. ***As a result, Jamaica Customs reduced the clearance time for some categories of imports by 2 days; this represents a 10% reduction in clearance time.***

The TCSP utilized the mapping study to support a Cabinet submission which received the requisite approval, allowing the TCSP to proceed with implementation activities to procure the long-anticipated Port Community System (PCS). The TCSP established a small sub-committee to develop a Stage I Tender document (Request for Information - RFI) for the PCS project. This represented the first of a two-stage tender approach. PRIDE Jamaica was asked by the TCSP to provide input during the conduct of a review of the RFI document, and supported the TCSP by responding specifically to the evaluation criteria of proposals for the design, development and implementation of a port community system for Jamaica. The SAJ and the PAJ advised PRIDE Jamaica they were jointly spearheading this effort on behalf of the TCSP, and were named as the procuring entity responsible for committing and sourcing funds toward the cost of the project.



Figure 5 Jamaica Customs and other members of the Trade Community System Partnership (TCSP) in discussions on matters concerning Jamaica's trade facilitation processes.

The Stage I Tender opening was held in August 2012 as scheduled. A total of 3 bids were eventually received, with four of the major players responding to the opportunity as a joint venture. To support the bidders' assessment, a Terms of Reference (TOR) for a local evaluation team was developed and a first briefing meeting was conducted where stakeholders were introduced to the requirements and expectations were established.

The Port Community System project team engaged the assistance of a total of nine evaluators; seven for the technical aspects and two from the Development Bank of Jamaica (DBJ) to review and evaluate the financials and business proposals. The TCSP developed a draft Request for Proposal (RFP) for Stage I of the tender process, that was reviewed by the Legal and Procurement teams. The TCSP published both the RFP and advertisement for Technical Consultants in September 2012, one month later than had been anticipated. The PAJ agreed to provide the initial capital outlay to acquire the consultants so that the project is not impacted negatively while other sources of funding are confirmed.

In a collaborative effort to advance the PCS project in a more streamlined, efficient, and timely fashion, the TCSP engaged the services of a full-time project coordinator in April 2012. Despite the best of intentions, however, the procurement process was hindered by a lack of available funding.

JAMAICA CUSTOMS MODERNIZATION

RISK MANAGEMENT FRAMEWORK, SYSTEM, AND POLICY

In support of activities under the Caribbean Basin Security Initiative (CBSI), PRIDE Jamaica worked with Jamaica Customs to improve Jamaica's capability to improve border protection as well as transparency and accountability, and eliminate corruption. During PRIDE Jamaica's second program year, the Jamaica Customs Agency (JCA)¹¹ was an organization in transition from a labor intensive, control-oriented department to a modern Customs operation that uses risk management principles in a data rich environment, having begun the transition period began in April 2011.

¹¹ Parliament passed legislation designating the former Jamaica Customs Agency with Executive Agency status effective April 2, 2013. Jamaica Customs Agency became Jamaica Customs Agency with the gazetting of the legislation on March 28, 2013.

Today, risk analysis and risk management techniques are part of any decision-making process in practically every kind of organization. Generally speaking, such methodologies can be applied to all those situations where an undesired or unexpected event can have a significant impact on the objectives of a particular entity. For Customs, risk analysis and management techniques are helpful to optimize both human and financial resources, reduce costs, expedite clearance, limit corruption (where inspection processes are automated), thereby improving their overall efficiency and performance. Indeed, if adequately implemented, customs risk management can offer valuable support to Customs in their effort to find the right balance between their control task and facilitation-related goals.

The use of risk management by Customs administrations is encouraged by the Revised Kyoto Convention (RKC)¹², the “Framework of Standards to Secure and Facilitate the Global Trade” (SAFE), and constitutes one of the ten building blocks of the “Customs in the 21st Century” and action plan developed by the World Customs Organization (WCO), which lays the foundations for the strategy for the future of Customs.¹³

Jamaica Customs began to operate as an Executive Agency (EA) in 2013, following its designation in Parliament. This designation caused a change in the name of the organization from Jamaica Customs Agency (JCA), to Jamaica Customs Agency (JCA). As a consequence of EA status, Customs is expected to experience greater accountability, transparency, control, and performance improvement. The Agency is currently implementing a number of organizational changes in accordance with its proposed long term Modernisation Plan. JCA anticipates that EA status will usher in significant reductions in turnaround time, improved customer service and cost recovery for more of the services offered by the agency. Among the services to be implemented and enhanced are the introduction of paperless transactions, the use of a night depository to facilitate 24-hour turnaround time and, in general, increased utilization of information technology, obviating the need for the physical appearance of clients to do business. Since the Jamaica Customs Agency was accorded Executive Agency status, it has improved its performance as the second largest revenue collection agency of the State. All programs related to JCA modernization continue to be steadily implemented despite funding challenges that are encountered during execution of the program plan.

In 2011, PRIDE Jamaica began working with the Risk Management Unit (RMU) at Jamaica Customs to streamline and improve the approach towards risk management and automated border controls. A methodological approach to risk management can effectively enhance the ability of Customs to manage risks, providing the basis for more rational decision-making processes within the organization at all stages—from strategic to managerial and routine operational decisions, so improving their overall performance, without negatively impacting on trade facilitation and the flow of goods.

¹² The Kyoto Convention was one of the major outcomes of the Customs Cooperation Council (the forerunner of the World Customs Organization). Adopted in 1973, it establishes a uniform set of rules and guidelines to be implemented by Customs administrations, aimed at improving their efficiency and transparency, reducing transaction costs and promoting trade. The Convention of Kyoto was revised by the WCO Council in 1999 to put it better in line with the new technological developments, advances in information technology and international trade practices. The “revised” version took effect on 3rd February 2006, namely three months after forty Contracting Parties have signed the Amendment Protocol or have deposited their instrument of ratification or accession.

¹³ Customs in the 21st Century is a policy paper adopted by the WCO Council during its annual session in June 2008. It contains a set of measures, to be implemented by the customs administration members of the Organization, aimed at enhancing customs operations globally and promoting security and trade facilitation. The document is structured in ten building blocks [1. Globally networked customs; 2. Better coordinated border management; 3. Intelligence-drives risk management; 4. Customs-business partnership; 5. Implementation of modern working methods, procedures and techniques; 6. Enabling technology and tools; 7. Enabling (legal) powers; 8. Professional, knowledge-based service culture; 9. Capacity building; 10. Integrity].

Despite many innovations that had been instituted by the JCA, PRIDE Jamaica's Customs Specialists observed where significant improvements could be made in the area of Risk Management. One primary observation was that Risk Management was poorly supported by ICT solutions and resulted labor intensive. At the time, the Risk Management Unit was effective, but also formed an integral part of live entry processing rather than being involved in the more effective analytical, account management and criteria-driven solutions model. Despite these shortcomings, JCA did a credible job of managing major risk, although at the price of lengthier and inefficient process. Additionally, PRIDE Jamaica observed JCA had an effective but overburdened Post-Clearance Audit Unit (PCAU)¹⁴ that needed additional staff, relief from non-audit responsibilities and changes to make audit techniques more encouraging for firms to place more emphasis on compliance.

The objective of PRIDE Jamaica's activity assisted JCA to develop a robust risk management framework that set out the policy and overall procedures, organization structures, roles and responsibilities, staff competency requirements, operating processes and ICT support options for risk management. The activity also assisted in the preparation of an implementation plan for a comprehensive risk management system, and developed the capacity of staff in the Risk Management unit through coaching, training and mentoring.

The Customs Modernisation Plan identified as a priority the need for JCA to strengthen its capacity to assess risk and implement more robust and comprehensive ICT-based risk management systems. The vision is that all facets of customs operations should function under the principles of risk management. The Risk Management Framework document prepared by PRIDE Jamaica included a Risk Management Policy featuring a strategic plan to implement risk management throughout Jamaica Customs. The strategic plan included opportunities to introduce and/or update automation. The framework document also included a proposed organization structure, optimal staffing levels, and roles and responsibilities for a Risk Management Unit (RMU). Additionally, the framework set out standard operating procedures for the RMU, while identifying opportunities for automation. Strategies presented by the report identified immediate, medium and long term integrated risk management processes throughout JCA and included recommendations for linkages between operations and IT support.

Following the implementation of PRIDE Jamaica's recommended Risk Management framework at Jamaica Customs, PRIDE Jamaica worked with JCA to implement the second phase of the two-part activity, to develop a Risk Management (RM) ICT solution for Customs. During phase two, PRIDE Jamaica assisted JCA to develop an RFP for the Jamaica Customs Risk Management ICT system. In consultation with JCA personnel, PRIDE Jamaica carried out an assessment of the existing RM methodologies. PRIDE Jamaica was guided by a high level process flow diagram that JCA prepared, outlining those procedures that would involve an automated interface. PRIDE Jamaica also conducted a review of current operations in the Risk Management, Customs Modernization, Intelligence, Valuation and Information Management divisions of Jamaica Customs. The initial objective was to develop an understanding of the function and

¹⁴ Post-Clearance Audit is an excellent tool to verify compliance and refine risk management techniques. It assists in judging the integrity of information supplied in the Customs entry and the importer's level of compliance with Customs legislative requirements. Customs' overall aim should be to achieve private sector compliance on a company-by company basis while assuring itself that the company's import department is knowledgeable and proficient in Customs' laws and regulations. True compliance exists when systems and/or departments at importing companies are aware of and take steps to comply with Customs laws and regulations. Instead of verifying the flow of goods across the border on an instance-by-instance basis in real time, Customs is able to move most of international shipments from compliant companies (as in the AEO program) to the low-risk or Green lane in confidence after a successful audit. Another benefit is that declared values can be verified with purchase and financial records of the importer company eliminating the need for general value listings or ranges while making more reliable use of WTO transaction value in a high risk environment.

operations of the risk management computer system, business processes, and the technology of the Valuation Intelligence Risk Management System (VIRMS) product which currently supports the risk management function.

In August 2012, Fiscal Services Limited (FSL), the division of the GOJ that maintains overall responsibility for the majority of the software applications' support and infrastructure services provided to Government ministries and agencies, published an RFP that was developed by PRIDE Jamaica to procure an ICT Risk Management System (RMS) for Jamaica Customs. The IDB was the primary source of funding for procurement of a new ICT Risk Management System for Jamaica Customs.

The Commissioner of Customs committed to procuring a COTS¹⁵ package such as ASYCUDA World¹⁶, and a Technical Feasibility Study (TFS) was conducted at Jamaica Customs to implement the ICT system. The TFS examined the existing infrastructure to determine the requirements for effective implementation of ASYCUDA World. The TFS informed Customs of options, including estimated costs and implementation timetables, for the introduction of the service-wide system that is to be procured to support Customs operations.

AUTHORIZED ECONOMIC OPERATOR

In continuation of its support to Jamaica Customs Agency's (JCA) Modernisation Plan, PRIDE Jamaica worked alongside colleagues at JCA on a reform initiative to implement the operational integration of the Authorized Economic Operator (AEO) program. This activity was undertaken by PRIDE Jamaica as further support to the previously executed Risk Management assessment, which had identified current AEO practices that were high risk for JCA. The objective of PRIDE Jamaica's assistance was to evaluate JCA's current AEO Program by providing technical assistance in risk assessments and management techniques, security and audit techniques, and security of cargo to companies as a function of the JCA AEO Implementation Plan in order to improve the quality of the AEO program within Jamaica Customs, resulting in increased compliance among the private sector for which the program is predominantly designed, and reducing the time and cost for businesses that comply. PRIDE Jamaica's work with Jamaica Customs is expected to contribute significantly to the success of this initiative and enable full implementation of the AEO program.

The AEO System within JCA was designed to reward compliant economic operators and focus resources on potentially unsafe and high-risk entities and individuals to protect the country's borders and revenue. Implementation of this system will allow operators to have a working partnership with Customs that would improve the Customs-to-client relationship, customer service and the business processes of the Jamaica Customs Agency. Concentrating on the largest importers, risk management is primarily focused on the company's compliance rather than a combination of factors such as commodity, country of origin and value. Analogous to Tax Administration Jamaica's (TAJ's) Large Taxpayer Office, Customs' AEO focuses scarce resources on firms and industries that are responsible for both most of the goods imported into Jamaica, and most of the revenue. JCA has also added a security component to AEO in accordance with WCO principles.

¹⁵ Short for *commercial off-the-shelf*, an adjective that describes software products that are ready made applications for common business functions.

¹⁶ ASYCUDA World is one of three versions of the Automated Systems Customs Data (ASYCUDA) software product supplied by UNCTAD. The other versions are ASYCUDA ++ and ASYCUDA v.2

JCA's AEO Program has two prongs, a Trusted Trader (Gold Card) and a Supply Chain Security aspect. The Trusted Trader segment is well underway, with 150 of Jamaica's largest importers as accounts. There are, however, serious issues that PRIDE Jamaica identified, and still remain with this aspect of the program. Included among these is the fact that AEO was implemented quickly, audit resources are very limited, and there are over 150 companies that would be eligible, yet they opt not to participate in the program. JCA is in the process of inaugurating a reasonable security risk reduction process to the AEO Program as this aspect of the program had not been in place.

The Authorized Economic Operator (AEO) Program in Jamaica was planned under two components by Jamaica Customs, as outlined below:

Component 1: AEO — An Authorized Economic Operator, or AEO, is defined as: "a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO ("World Customs Organization") or equivalent Supply Chain security standards. Authorized Economic Operators include inter alia manufacturers, Customs Brokers/Agents, importers, exporters, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors."

Component 2: Trusted Trader Program — Analogous to Tax Administration Jamaica's (TAJ) Large Taxpayer Office (LTO), Jamaica Customs has instituted a trusted trader program for large volume importers, AEO. Rather than use the transactional method of risk management described in Component 1, above, this regime is based upon the quality, integrity and excellence of the firm's import operation. The "AEO/Trusted Trader", an innovative risk management approach that has been used in countries such as Tanzania, Jordan, Sweden, Egypt and the United States, is based upon a company's Customs compliance level rather than the transactions that it conducts. Importers who display excellence, and are competent and compliant, pose little risk to Customs. Jamaica Customs Agency (JCA) had taken important preliminary steps towards implementing the AEO program. Poor ICT, antiquated business practices, scarce human resources and legal restraints hamper these positive moves.

As part of the AEO evaluation process, PRIDE Jamaica provided training to 24 new Account Managers in risk and account management, and also introduced supply chain security to the group. The training included four (4) practice audits at firms with extensive imports within the automotive, construction, food distribution and pharmaceutical sectors. Through this process, Account Managers were able to observe operations of the importers and review Customs Trade Compliance. PRIDE Jamaica worked with key JCA personnel to address the risk issues, program administration and business process, as well as the extent of the new security requirements, and phasing-in schedule and timelines for the overall AEO program.

Much progress has been made with the AEO program and the validation of 15 pilot companies has been completed. From a total of 186 companies that applied to the program, 31 entities have gone through the AEO validation exercise, and each of the top 100 large importers to Jamaica has submitted an application.

PRIDE Jamaica participated alongside representatives of the JCA account management team in a particular validation exercise at a poultry processing facility, which is one of the 15 selected pilot companies for AEO. The exercise was held primarily to evaluate the progress of the program within the company and to ensure that compliance standards are being maintained. According to company representatives, their experience with the AEO account manager program has been exceptional. The company representatives were also highly complementary of the customs account manager, particularly for those problem-solving interventions conducted on their behalf. Security improvement recommendations have been approved by the company's management and implementation is underway.

The company also highlighted to PRIDE Jamaica other initiatives that were being undertaken internally to assist with expediting procedures for imports and exports, in keeping with WCO guidelines under the AEO program.

JCA advised PRIDE Jamaica that due to the limited availability of human resources at Jamaica Customs, of the total 24 Account Managers who had been trained, only five positions have been permanently assigned to the AEO program. Four account managers are in place, with one vacancy to be filled.

PRIDE Jamaica recommended that the number of account managers be increased in order to maintain the integrity and sustainability of the program, considering the total number of applicants. PRIDE Jamaica has further recommended to JCA that each AEO account manager typically be assigned between five and 20 companies to oversee. This ratio is consistent with the estimated timeline to conduct the risk management documentation and research work required to ensure reliability of the program. An additional eight detail Officers are currently being processed by the Human Resources Division at JCA to assist with processing and validations. PRIDE Jamaica continues to advocate for an increase in the number of Account Managers for the program if AEO is to be properly monitored, and if it is to achieve its primary objective of improving revenue from improved trade compliance.

PRIDE Jamaica also developed a Draft Compliance Strategy for JCA for this to be incorporated into the overall strategic plan for operational integration of the Jamaica Customs AEO program. JCA fully implemented this Draft Compliance Strategy, with a few areas being amplified to address particular areas of concern for Jamaica. The four primary priority areas of the projected trade strategy for Jamaica are to:

- Facilitate legitimate trade and ensure compliance
- Enforce Jamaica's trade laws and collect accurate revenue
- Advance national and economic security of Jamaica
- Intensify modernization of JCA's trade processes

Importantly, this approach, consistent with international norms, reflects JCA's selectivity and post-clearance approach to trade facilitation and enforcement through improved automated tools and expanded post-release compliance verification programs designed to reduce unnecessary delays for legitimate imports at the borders

Based on its current assessment of customs AEO, PRIDE Jamaica recognizes that the program has proven to be very popular with the trade community and is ably led and well run. Its popularity is enhanced by the attention to detail and problem resolution focus of the account managers. However, there remain other critical work and management actions that need to be pursued as identified below:

- The AEO structure needs to be formalized and institutionalized within the Executive Agency (EA) structure.
- The number of permanently assigned account managers is insufficient for the size of the program.

The AEO program has been revitalized and the risks have been reduced. In July, the AEO program at Jamaica Customs was formally presented at a national launch and symposium event that was attended by Ministers of the Government of Jamaica, officials from USAID/Jamaica and other IDPs, as well as representatives from international Customs and other border agencies. Jamaica is cemented as the first English-speaking Caribbean nation to implement AEO, aligning Jamaica Customs with international trade standards established by the World Customs Organization (WCO). This will result in stronger Jamaican

borders, increased revenue collection and improved voluntary compliance by the private sector, which supports trade and economic growth.

The progress that the AEO Program has made is exemplary, particularly as it relates to the strengthened parameters for risk management and supply chain security interventions. PRIDE Jamaica has further contributed to this effort by developing a proposed structure for a new AEO Unit as well as preparing audit guides designed for the trade community that will also strengthen JCA's outreach efforts. PRIDE Jamaica continues its work with Jamaica Customs to strengthen the implementation and reformed operational aspects of the AEO Program.



Figure 6 Minister of Finance and the Public Service, Dr. the Hon. Peter Phillips, MP (5th), Minister of Industry Investment and Commerce, Hon. Anthony Hylton (3rd r-front and USAID/Jamaica Mission Director Denise Herbol (6thr-front), with CEO/Commissioner of Customs, Major Richard Reese (3rd l-front), PRIDE Jamaica Advisor, Peter Baish (1st l-back), other members of the Jamaica Customs AEO Committee and International Development Partners at the AEO launch and symposium held at the Jamaica Conference Centre in July 2014 (Photo courtesy of Jamaica Customs Agency)

The Jamaica Customs Agency has successfully deployed an AEO trusted trader program with a supply chain security component based on risk management principles. The AEO program is very successful in easing import formalities; saving much time and expense while greatly improving Customs compliance. Many individuals in the Jamaica trade community are of the view that similar streamlining of the export regime is in order.

During the extensive trade partner briefings that were hosted by Jamaica Customs for enhancements to the AEO Program, exporters in the audience often lamented that Jamaica's export process is burdensome and they express the desire for similar relief from the bureaucracy and delays of export shipments, as is being realized for imports under AEO.

Exporting has been the most popular and fastest-growing mode of international market entry, favored especially by small and medium-sized firms since it does not require many resources and is associated with less risk in comparison to other entry modes into foreign markets. Exporting is a crucial business activity for a nations' economic health as it significantly contributes to employment, trade balance,

economic growth, and higher standard of living (Lee and Habte-Giorgis, 2004). Working alongside Jamaica Customs, the private sector and other stakeholders, PRIDE Jamaica conducted a review to determine the primary obstacles to the export trade and recommend alternatives to improve the process and make it more efficient. This is in keeping with ongoing efforts to strengthen the existing AEO program at JCA. PRIDE Jamaica and JCA led a three-week study; and a final report with findings and recommendations has been issued for JCA's consideration and future implementation.

Jamaica Customs has expressed a need for technical assistance to re-engineer business processes in order to properly integrate the newly developed AEO procedures across all Customs areas. This support is being provided by the Interamerican Development Bank under a loan to support implementation of the Customs Modernisation Plan.

INTEGRATION OF CUSTOM RISK MANAGEMENT SYSTEMS AND AUTHORIZED ECONOMIC OPERATOR (AEO) ACTIVITIES

The Jamaica Customs Agency (JCA) is vigorously engaged in activities to begin the phased implementation of ASYCUDA World as an information management solution to support modern risk management and an overall Compliance strategy for the agency. In keeping with JCA's Executive Agency transformation and the modernization of Jamaica Customs, PRIDE Jamaica worked alongside colleagues at JCA to establish more risk-based approaches to customs controls.

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 collecting revenue through the introduction of revised processes and ICT. All of the referenced efforts were supported by PRIDE Jamaica, and some have already been implemented by Jamaica Customs in preparation for automation with the implementation of ASYCUDA World.

Although there have been implementation delays, in 2013 JCA received no objections from the IDB to proceed with the US\$2.6 million system procurement. The 18-month implementation of ASYCUDA World is underway. PRIDE Jamaica worked 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 were implemented by Jamaica Customs in preparation for ASYCUDA World implementation.

The United Nations Conference on Trade and Development (UNCTAD) will be the supplier of ASYCUDA World to Jamaica Customs. Representatives from UNCTAD started work in Jamaica in Q4 2013 to begin project implementation for the system. With the acquisition and implementation of ASYCUDA World, UNCTAD and Jamaica Customs estimate a 10 to 20 percent increase in revenue collection for JCA due to comprehensive automation. With the prior year's revenue collection of approximately US\$230 million, Jamaica Customs points out that it will require only a one percent (1%) increase in revenue during the first year of implementation and operation of ASYCUDA World to recover the investment.

In August 2014, Jamaica Customs hosted a project launch for the implementation of its Integrated Customs Management System – ASYCUDA World. The ASYCUDA World solution is the latest of the Automated System for Customs Data (ASYCUDA) developed by UNCTAD and aims at speeding up Customs clearance through the introduction of simplified processes and procedures which are

compliant with international standards and best practices, thus minimizing administrative costs and improving efficiency to the business community. It also provides single window functionality. The system uses modern technology and will improve security; trade efficiency and the fight against corruption while increasing Customs revenue and trade facilitation.

JCA has updated instructions and SOPs to include two good examples which are a new *Post Clearance Audit Procedures Manual* and the *AEO Manual*. As there is no structured Issuance System¹⁷ in place at JCA, however, some supervisors and senior officers simply issue formal or informal directives in a discretionary manner, as the need arises.

Since ASYCUDA World 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 has provided Jamaica Customs with general guidelines and technical assistance for development of the issuance framework as it evolves.

PETROLEUM MANAGEMENT MONITORING

An October 2011 International Monetary Fund (IMF) report documented Jamaica's main product imports as petroleum, cigarettes, motor vehicles, alcohol and food, and together these comprise approximately 80 percent of JCA's revenue collections. Cost of collections represents only 0.02 Jamaican cents for every dollar collected, down from 0.03 cents in 2010, and these are well within international standards, which range from 2 to 5 percent.

The petroleum sector has not been sufficiently monitored to ensure full compliance and protection of revenue. Petroleum imports account for approximately 33 percent of import value and 30 percent of JCA revenue collections. Possible abuse in this sector has resulted in significant under-reporting of imports with concomitant loss of revenue. The monitoring of the use of these imports brought in under special incentives (no duties on diesel used to produce Bauxite and/or Alumina) is also another area of concern regarding the loss of revenue. Fuel supplied to power companies should also be monitored in collaboration with Tax Administration Jamaica (TAJ) to ensure that all volumes are accounted for and that no refund is processed for undelivered fuel. Having conducted a review of petroleum monitoring activities at Jamaica Customs, PRIDE Jamaica developed several basic recommendations that JCA could readily implement to significantly improve the collection of revenues due from petroleum activities.

PRIDE Jamaica worked alongside Jamaica Customs to develop a proposed framework for a Petroleum Monitoring Unit to incorporate international best practices with detailed recommendations and an implementation plan, including any necessary Business Process Review strategies, to strengthen the operation and effectiveness of the Jamaica Customs Agency to collect all revenues due. PRIDE Jamaica utilized the services of petroleum operations and administration experts from the Kenya Revenue Authority (KRA) who had conducted and successfully implemented a similar exercise in Kenya, to work with colleagues at JCA to complete this activity.

The review disclosed that the management of the petroleum sector is scattered across several Customs units, and that although the tax treatment of petroleum products is clear and well understood, the

¹⁷ Customs Issuance System (CIS) is a repository of Customs Service records, providing descriptions of circulars, manuals, legal rulings, decisions, and other Customs documents.

systems in place for the stock management and inventory accounting are not adequate and need to be improved in order for the Department to achieve better control. PRIDE Jamaica identified the major weakness in the system as the lack of technical skills within Customs to independently verify the quantities of product that are discharged and back loaded into vessels. This has hampered the monitoring and control of petroleum inventories, and consequently Customs had not been able to conduct meaningful audits of the oil importing companies. There is strong evidence, however, that TAJ Excise Officers do possess the requisite technical skills that would allow for training of the Customs Officers to be conducted in-house.

In order to improve JCA's oil accounting practices and procedures and to improve oil measurement competencies, during November 2012 PRIDE Jamaica provided technical training to JCA Officers to conduct surveys of bulk petroleum products offloaded and loaded at Jamaica's ports. This is enabling JCA to accurately and efficiently verify the types and volumes of bulk products that are offloaded, and is also allowing JCA to assess the appropriate revenues due and payable on the petroleum imports. This change is resulting in an increase in revenue collection, improved transparency and reduced corruption.

During the first phase of support to this initiative, PRIDE Jamaica prepared and submitted a detailed oil measurements procedures and guidelines report for JCA, which included general interim recommendations to improve revenue accounting from petroleum imports.

A follow-on phase to this activity was conducted in which PRIDE Jamaica designed and delivered additional training for staff who work in Customs Operations (e.g. Sufferance Wharves and petroleum receipt and delivery points). The training provided new approaches and updated participants' knowledge on measurement techniques for petroleum products. The training also highlighted concepts and standard practices to address oil stocks control, loss identifications, receipt and delivery, and other parameters that have a direct impact on revenue. The fully implemented recommendations are assisting JCA to significantly improve their ability to manage the importation and movement of petroleum and petroleum products. This is also enabling Jamaica Customs to account for revenues due and to make several additional operational recommendations to support the improvement of petroleum monitoring and management procedures.

In March 2013, PRIDE Jamaica conducted an assessment following JCA's implementation of additional recommendations that were developed by PRIDE Jamaica. PRIDE Jamaica's assessment confirmed that JCA had made progress, and PRIDE Jamaica developed a matrix of further findings and additional recommendations, some of which JCA has fully implemented. These changes are significantly improving JCA's ability to manage the importation and movement of petroleum and petroleum products in Jamaica. Included among those recommendations that have so far been implemented are the development of comprehensive standard operating procedures (SOPs) for bunkering activities on land and at sea; training to upgrade the technical skills for JCA officers to measure and quantify petroleum products; and, new processes that have been designed to address the lack of accountability that exists for Duty Free product that is supplied to the bauxite mines and power plants. Also in keeping with the recommendations, Customs officers were deployed to Petrojam refinery on a full-time basis to participate in all fuel receipt and delivery operations.

JCA prepared and delivered letters outlining Standard Operating Procedures (SOPs) to Bunkering companies that exist within Jamaica's waters. The document, which was developed in May 2013, established operating norms and standards for the petroleum industry. JCA also developed and issued a draft SOP for new participants in the land bunkering arena. This was a major step for Jamaica Customs, as prior to PRIDE Jamaica's intervention there had been no clearly defined operating policy that had been in place for Bunkering companies. The SOPs were drafted and prepared with assistance from PRIDE Jamaica, and JCA solicited input from other stakeholders in the petroleum sector. Once the

revisions and amendments were incorporated, JCA issued the SOPs as a means of standardizing petroleum bunkering activities both on land and at sea in Jamaica. This is expected to result in a major improvement in JCA's overall management of petroleum products, including effective and accurate product measurements and assessment and collection of revenues due.



Figure 7 Jamaica Customs Officers on a break during Petroleum Measurements training with Petroleum Engineer and PRIDE Jamaica Consultant

PRIDE Jamaica's ability to integrate procedures and processes, not only within Customs, but also with other responsible agencies, became more evident as implementation efforts continued. In June 2013, PRIDE Jamaica facilitated a meeting between JCA and Tax Administration Jamaica (TAJ) to improve operations between TAJ (Excise) and JCA (Sufferance Wharves). Sufferance Wharves is the unit within Jamaica Customs that maintains direct responsibility for monitoring and managing petroleum bunkering activities on behalf of JCA; the Excise Division within TAJ has direct responsibility for the management of tax revenues due from petroleum imports once they enter the local market. JCA and TAJ's renewed collaboration identified a major gap in relation to the accounting and collection of revenues due from petroleum as a result of the customs and excise functions being separated during an earlier restructuring of the Tax and Customs agencies. This gap had not been fully addressed operationally and resulted in irregularities in the management of revenue from petroleum and petroleum imports. PRIDE Jamaica worked with both JCA and TAJ to facilitate additional joint informal consultative sessions on petroleum product monitoring between both agencies, which enabled JCA and TAJ to close this major gap. There is now a much stronger integration between Customs and Excise to more effectively monitor and manage petroleum imports. Site tours have been conducted at Petrojam oil refinery facilities by both agencies to observe and identify areas of vulnerability, and an effective inter-agency approach for improving and strengthening revenue collection in this sector has been designed and implemented, and is working well.

Similar to PRIDE Jamaica's work with TAJ, PRIDE Jamaica applied a successive and progressive approach with JCA to improve petroleum product monitoring. This systematic approach has enabled JCA to practically integrate and implement a range of recommendations from among several discreet activities. ***This has resulted in improved Customs operations, reducing risk to revenue and increasing transparency among operators in the petroleum sector.***

PETROLEUM POST CLEARANCE AUDIT FRAMEWORK

As PRIDE Jamaica continued support to strengthen JCA's ability to effectively manage petroleum product imports, PRIDE Jamaica and JCA embarked on a new aspect of this work. Working alongside both Customs Marine Operations (Sufferance Wharves) and the Post Clearance Audit (PCA) and Compliance Unit, toward the end of the fourth program year in 2013, PRIDE Jamaica began working with JCA to develop the framework to conduct post clearance audits for petroleum and petroleum products imports. PRIDE Jamaica identified the need to integrate the efforts of the PCA and Compliance Division as a key factor toward improving revenue collection, improving communication between Customs and industry, and improving industry compliance.

In 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 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 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 were previously 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 and discussed the overall plan and approach with JCA colleagues. In addition to the familiarization process, the approach also included 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 currently preparing a database that can be used to identify risk areas, non-compliance and levels of fraud within the target sector. PRIDE Jamaica also 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 units 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.

Support from PRIDE Jamaica to this audit 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 that was 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. 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 for 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 also 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 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. In January 2014, Jamaica Customs reported a critical failure of the Metacube System. Although the system is once again functional, the failure that it experienced further serves to highlight the urgent need to implement the ASYCUDA World 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 has been coordinated between PRIDE Jamaica and the Customs audit group.

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. A structured audit framework will strengthen JCA's ability to recover outstanding revenues from audits. It is anticipated that this will also improve voluntary compliance on the part of importers as processes become more transparent and predictable.

In the third quarter of 2013, JCA advised PRIDE Jamaica that it would conduct a post clearance audit on petroleum imports, and in September 2013, PRIDE Jamaica began working alongside colleagues at JCA to develop and implement the framework for conducting this type of audit. To this end, PRIDE Jamaica provided guidance to JCA, which emphasized the need for certain critical, standardized processes and procedures to be established by the agency in preparation for conducting post clearance audits. PRIDE Jamaica 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.

During this process, PRIDE Jamaica also examined existing regulations in Jamaica that govern oil imports and exports as well as explored other existing requirements and guidelines that are 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. Examination of existing regulations and legislation by PRIDE Jamaica is ongoing throughout the various phases of this activity, and PRIDE Jamaica provided JCA with details of Customs Regulations and Legislation that should be considered for review. PRIDE Jamaica continues to emphasize to JCA that, in order to be fully effective, those best practice approaches that have been recommended for implementation must be supported by updated corresponding regulations and legislation.

Also reiterated by PRIDE Jamaica is 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. Increased presence at importers' offices and facilities discourages fraudulent or negligent activities by the importer and can increase their interest in understanding and complying with customs requirements.

PRIDE Jamaica worked alongside audit teams at JCA and TAJ Excise in a coordinated effort to produce a comprehensive Audit Survey Questionnaire for a petroleum audit. The Audit Survey Questionnaire was used to conduct interviews during the preliminary stages of a post clearance audit. Auditors representing both agencies are participating in this audit to make it more efficient, eliminate duplication of effort and minimize disruption to the company's operations. This approach has enabled the teams to coordinate a collaborative approach during conduct of the audit and to support further attempts to regularize the petroleum trade. The results of this collaborative approach remain positive, although the areas of interest and focus will differ for each agency. JCA is primarily concerned with importations, while TAJ's interest is in the areas of production and disposition of products.

In July 2014, assisted by technical expertise from TAJ, the Customs audit team visited the oil refinery lab, and alongside the TAJ audit team participated in a long outstanding evaluation at the lab as a part of the audit process. This was a useful and highly beneficial activity as it allows JCA to better assess and determine the classification of product from the perspective of the importer. This will also ensure that the Customs audit team is more readily equipped to assess whether particular codes ought to be applied to the product during the conduct of the audit, which will have implications for revenue. There is early evidence that JCA auditors, particularly those who are to be assigned to the petroleum sector, will require additional specialized training in order to build the organization's capacity to efficiently conduct more extensive audits within the sector.

PRIDE Jamaica worked with the audit team and highlighted the importance of adhering to JCA's Audit Division Procedures Manual guidelines for the preparation, organization and explanation of audit working papers. PRIDE Jamaica has requested that JCA considerably strengthen its processes of document and record keeping at each stage of the audit. This aspect is critical, particularly because any findings that result from the audit must be thoroughly supported in the event that they are challenged. At the request of senior management from the Post Clearance Audit Division, in July 2014, PRIDE Jamaica conducted a two-day training workshop that was structured as a presentation on Audit Working Paper Standards to 33 Customs auditors utilizing the Jamaica Customs Audit Procedures Manual. The training underscored the importance of consistently performing audits in accordance with established audit work paper standards, with emphasis on the purpose and benefits of those standards. The training will improve the quality and reliability of the audits while building the confidence of the auditors as well as respect for their work product within Customs and among the importing community.

PRIDE Jamaica anticipates providing additional training to audit division staff in order to enhance supervisory review of audits.

On the advice of PRIDE Jamaica, JCA prepared a database that can be used to identify risk areas, non-compliance activities and levels of fraud within the target sector. PRIDE Jamaica reviewed the database and suggested to JCA that an important next step must include quantifying those issues which have been identified.

PRIDE Jamaica reviewed and evaluated existing JCA Standard Practices and Customs Regulations related to the post clearance audit function and applicable to the petroleum sector, many of which are equally applicable to other audit sectors. Several of these standard practices have been addressed in the training material that was developed for presentation during the audit training exercise in July 2014. Numerous Customs Regulations have been identified and recommended for review in order to clarify and enhance requirements and guidance for the importing community, as well as to support audit efforts to evaluate and enforce Customs compliance.

Although at a slower pace than anticipated, the audit has progressed and was being closely monitored by PRIDE Jamaica through the project's end. This approach allowed PRIDE Jamaica to identify those technical areas where Jamaica Customs may potentially require additional support and assistance and to make recommendations for how this may be achieved. The Jamaica Customs audit team established and met a target date of July 31, 2014 to complete field work and to present a summary of audit findings. Work paper finalization and report preparation was completed in October 2014. The Customs audit team examined its findings to date, including those issues that had to be further reviewed and quantified. PRIDE Jamaica coordinated with the audit team on this process, and reviewed the work paper files and made recommendations to ensure that all findings and recommendations are thoroughly documented and explained.

PRIDE Jamaica has incorporated practical approaches within its various interventions to ensure that there is continuity between those earlier activities that have been supported by the project, and their integration with other pending initiatives. This approach ensures that counterparts receive the most substantive overall impact from the project. The quality of this impact is readily demonstrated in the staged series of petroleum activities that have been conducted with Jamaica Customs. 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.

CUSTOMS VALUATION AND VERIFICATION

PRIDE Jamaica's support to JCA in Customs Valuation procedures is enabling Jamaica Customs to establish the framework for a streamlined and predictable valuation process as a further means of protecting tariff concessions, collecting revenue, implementing trade policy, and protecting public health and safety.

Working alongside both the Risk Management and Valuations Units at JCA, PRIDE Jamaica recommended changes to valuation processes that were implemented by Jamaica Customs. These changes resulted in Jamaica Customs Agency reporting record numbers for additional revenue collection. The Customs agency collected an amount of US\$1.7 million for the period September to December 2012, for cargo that had been under-invoiced by importers. Simultaneously, JCA launched a campaign to notify the public of sanctions associated with under-invoicing. The campaign also informed

the public that the practice of submitting fraudulent invoices contravenes the Customs Act and that moving forward JCA would be closely monitoring this activity.

JCA reported that it collected J\$12.89 billion (US\$128 million) in July 2013, surpassing by 10% (US\$9.88 million) the target that was established by the Ministry of Finance and Planning (US\$119 million). This is a direct result of Jamaica Customs implementing AEO Risk, AEO Compliance and Customs Valuation procedures that were developed and recommended by PRIDE Jamaica through its ongoing work with Jamaica Customs in these target areas. These figures represent the highest collection of revenue in any one month in the history of Jamaica Customs. Also noteworthy is that JCA accomplished this over a period when there was a decline in key imports.

While indicating that new customs taxes and increases in import duty and GCT are contributing factors, JCA also highlighted the fact that the formal commercial sector represented more than 80% of the total collections for Customs. This directly follows from work carried out by PRIDE Jamaica, which included developing standardized processes to ensure that the appropriate transaction methods of assessing the dutiable value of imports were implemented. PRIDE Jamaica also established methods to streamline and strengthen procedures to encourage voluntary compliance by the formal commercial sector. ***The results of this assistance are improved revenue collection and improved compliance.***

Building on this technical assistance, JCA made much progress against fraudulent practices that are designed to lower value in order to evade applicable duty charges and taxes. Notably, over the last GOJ fiscal year (April 2013 – March 2014), overall revenue collection for the agency was J\$1.209 billion, some US\$127.68 million, or 12 percent above the previous year. Jamaica Customs reports that as of June 2014, the year to date (YTD) target for the current fiscal year was US\$251.32 million, while the YTD collection was US\$254.68 million, exceeding the current YTD target by US\$3.3 million, or 1.34 percent. The Jamaica Customs Agency has improved its performance as the second largest revenue collection agency of the state behind TAJ.

The Jamaica Customs Agency's Value Branch has 22 personnel devoted to screening large value imports for improper valuation. Customs values are determined using the World Trade Organization (WTO) agreement. In determining value or the acceptability of a declared value for customs duty purposes, the Jamaica Customs Agency must be guided by the provisions of the Customs Act, Customs Regulations and the principles of the WTO Agreement on Customs Valuation (ACV).

Most CARICOM (Caribbean Community) countries, including Jamaica, have a large informal sector consisting of traders whose record keeping is poor. Some of the traders have no fixed business locations or the addresses are changed frequently, mostly without notice to authorities. A significant amount of imports, especially consumer goods, are traded by the informal sector making it difficult for customs to institute post audit controls that are contemplated in the ACV. Furthermore, experience suggests that invoices that are presented to Customs by such importers are easily forged. Some fraudulent invoices are easier to detect than others.

In its 2013 report, Transparency International ranked Jamaica at 83 among 117 nations in its annual corruption index. The index measures perceived level of public sector corruption in the country. Given the levels of corruption, fraudulent activities by traders as a result of under-invoicing can present a significant strain to JCA and compromise revenue collection. The thrust of ACV, which is to accept invoice prices for the purpose of Customs Valuation, therefore becomes compromised.

JCA has excellent and knowledgeable officers who are trained in the GATT VII value standard; however, few importers and Customs Brokers are well trained in its intricacies. JCA auditors and officers in the Value Branch often encounter cases of non-compliance in this aspect of their work. This apparent lack

of knowledge causes much concern among those JCA officers who are responsible for value law enforcement, especially when this is demonstrated by the large importers who pay the majority of JCA's collections.

JCA has conducted an extensive briefing for the private sector in order to provide information on the changes to the AEO program. PRIDE Jamaica recommended that a similar outreach to the trade community concerning details of value should be conducted, given that the trade community in Jamaica has not displayed a thorough understanding of the GATT VII Agreement of the WTO.

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 enforcement role, 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 JCA's policies, performance and professionalism must be transparent to the Jamaican people and Parliament.

PRIDE Jamaica worked alongside JCA to develop and strengthen risk-based approaches to customs operations and has provided a series of recommended approaches, which are currently being implemented. New tax reform measures make special provisions for improving efficiency and customer relations at Customs. Some of the new reform measures include amendments to the Customs tariff in relation to retaining recently changed duties on select energy saving items in keeping with the GOJ-stated energy policy, and reform of the provisions of the Customs Regulations to update the schedule to reflect current best practices and improve administration of the Customs Act.

Other reforms include specific amendments to the Customs Act to allow for suspension of the Common External Tariff, enabling a standardized, criteria-driven application in accordance with the Treaty of Chaguaramas; and amending the existing Customs Act to provide for the implementation of the Automated System for Customs Data (ASYCUDA) to enhance border control and protection.

ASYCUDA 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 will continue its efforts to transform its business processes, thereby eliminating paperwork, expanding enrolment in trusted traveler programs and deploying technology to minimize wait times at ports of entry. ASYCUDA World will drastically alter the existing manual procedures. With global trade projected to expand by 8 percent annually through 2030 and infrastructure trade projected to grow at a rate of 9 percent and account for over 50 percent of all goods traded globally,¹⁸ Jamaica must ensure that its ports and businesses are capable of helping to capitalize on these opportunities. The GOJ has

¹⁸ 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>

announced that with the implementation of ASYCUDA World, forecasts from the feasibility study indicate that JCA revenue will increase by 10 to 20 percent. ***The implementation of ASYCUDA World ICT system will strengthen transparency, uniformity, standardization and consistency of Customs procedures. ASYCUDA World will improve Customs control and risk-management capabilities.***

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.

With implementation of the risk management system, JCA for the first time is 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 CMAAs¹⁹ and MRA²⁰ 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. ASYCUDA World will also allow for limited physical interactions from both customs and trade, which will ultimately result in reduced corruption.

Following a direct request from the CEO/Commissioner of Customs, in February 2014, PRIDE Jamaica initiated an activity that will assist with harmonizing the Jamaica Customs Agency's 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 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.

¹⁹ 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.

²⁰ **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.

In addition to having direct interactions with responsible parties at JCA, PRIDE Jamaica also met with representatives of the Shipping Association of Jamaica (SAJ) in February 2014 to discuss with the group 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 indicates 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 of Jamaica Customs overtime and mileage timesheets conducted in August 2013 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 13 wharves/berths.

The SAJ shared with PRIDE Jamaica a list of recommendations that 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.

PRIDE Jamaica engaged with Trade and worked with Jamaica Customs to develop a framework for a review of 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 also recommended procedures and guidelines to assist JCA to develop an effective and cost-efficient overtime regime. The overtime guidelines also include policies and procedures, as well as review requirements and techniques that will enable JCA to develop effective monitoring and predictable evaluation for Customs overtime.

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

COMMERCIAL ALTERNATIVE DISPUTE RESOLUTION

The Private Sector Organisation of Jamaica (PSOJ) approached PRIDE Jamaica to support its efforts to expedite the resolution of commercial disputes. With only one commercial court, there is an enormous backlog of commercial cases waiting to be heard. The PSOJ had begun efforts to establish a Commercial Alternative Dispute Resolution (CADR) Center. The CADR Center will be targeted to meet the needs

of the small and medium enterprise community in an attempt to alleviate some of the backlog of disputes, and to reduce the time required to bring these disputes to final resolution.

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

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

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

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

In a separate development, PRIDE Jamaica was subsequently informed by the PSOJ that the Minister of Justice had indicated that a Cabinet Submission in relation to the new CADR legislation would be withdrawn. Typically, a Cabinet Submission is an indication from a government ministry in relation to a particular policy, submitted through Jamaica's Cabinet (the Cabinet Office), to advise Jamaica's Parliament of an intention by the government to proceed with a policy matter, pending parliamentary legislative approval. Withdrawal of a Cabinet Submission is therefore a clear indication, reasonably interpreted, as intransience.

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

YUTE WORKFORCE DEVELOPMENT GRANT AWARD TO PSOJ

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

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

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



Figure 8 Youth attending a U-Turn Camp session

Table 4 Breakout of YUTE 720 Participants as at October 31, 2011

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

Table 5 Engaged Participants

PROGRAMME STREAM		RELATED NOTES
YUTE –Entrepreneurship		
Completed 2 Day Entrepreneurship Orientation	105	Will move to Social Skills Entrepreneurship Training 01/12
YUTE Works		
Pre – Skills	190	Overall 40 did not attend. 85% of 150 attended.
Working - 4 month - Full Time Post Census - Employed through to October 2011	44	These persons will matriculate from YUTE
	40	10 Scheduled to be included in FullGram
Ready for training - with qualifications	80	56 Places Identified & to be placed in CBT
Still to submit qualifications Re HEART/NTA Certification	33	Persons not presenting certificates.
Training Ready - Diagnostic Test & Successful	20	
Other opportunities to be identified - HISEP	40	
Post Census - Ready for Training	11	Have attended interviews at FullGram
YUTE U-Turn		
U-Turn Females	8	To participate in 2012
U-Turn Males	40	5 For Restaurant Week Training
Preliminary Total	611	
Total Inc. Overlaps	611	
Participants in more than one activity	106	Note that some have not attended the pre-skills
Total Number of YUTE Participants	505	

YUTE WORKS

Below is a summary of key activities for the YUTE Works Stream through October 2011:

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

Two (2) day placement and internships:

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

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

YUTE U-TURN

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

The female residential camp was rescheduled to May 2012 (beyond the life of the grant agreement with PSOJ) as up until the period of reporting (October 2011) there were only eight YUTE female Participants who wish to be considered for U-Turn.

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

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

ENTREPRENEURSHIP STREAM

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

Against this reality, YUTE reviewed other models and accepted that the emerging concept of micro-franchising is an appropriate fit for the majority of those registered in the Entrepreneurship Stream. YUTE approached the IDB to support the development work of this model and received a grant of US\$150,000. The PSOJ determined that given the timeline of the USAID/PRIDE Agreement and the procurement requirements this element would be funded by IDB and alternative YUTE funds. The market research for this element of the program was completed in October 2011.

MENTORSHIP PROGRAM

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

Through October 14, 2011, 1,020 persons signed up and completed applications to become mentors. Of this number, 70 are located outside of Jamaica or outside of the Kingston Metropolitan Region, and opted not to be trained in view of the required face to face meetings in the mentor/mentee relationship.

A further 360 have been invited to at least 3 training sessions, confirmed attendance but have failed to attend.

Unit cost for training was higher than projected, and this resulted in fewer persons than projected being trained using the USAID/PRIDE Grant. The training included the mobilization of YUTE Participants to ensure matching with trained mentors.

Table 6 Total Mentors Trained and Matched, by Gender (All Funding Sources)

Total Females	250
Total Males	120
Total Mentors	370*

**Five persons chose to mentor two individuals.*

Table 7 Total YUTE Participants Trained and Matched, by Gender (All Funding Sources)

Total Females	234
Total Males	146
Total Mentors	380

MONITORING & EVALUATION RESULTS AND INTERNAL ASSESSMENT

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

The Project Board has approved the use of the tools of the International Youth Foundation (IYF) for establishing a baseline and providing incremental and end of project evaluation of the impact of the program on each YUTE Participant. It was agreed that this will be implemented in tandem with the second cycle intake which took place over the period November 2011 – January 2012.

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

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

Under guidance from USAID/Jamaica, PRIDE Jamaica closed out the grant agreement with PSOJ on October 31, 2011. In January 2012, working alongside the PSOJ, PRIDE Jamaica satisfied the reporting requirements and completed the requisite documentation to conclude implementation activities for the YUTE program under the grant agreement. The Grant Completion Certificate was executed by PRIDE Jamaica and the PSOJ, allowing for the documented conclusion to this activity.

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

PRIDE Jamaica's work in this component focused on regulatory frameworks to expand the access of available and new credit opportunities to the micro, small and medium enterprise sectors. PRIDE Jamaica addressed these issues by working with public and private sector partners to consider a regulatory framework for microfinance institutions (MFIs) and to introduce services to reduce transactions costs and expand the network of potential borrowers through mobile financial services. In line with guidance from USAID/Jamaica, PRIDE Jamaica completed its activities in this component at the end of Year 2 due to substantial reductions in funding.

MICROFINANCE INSTITUTION REGULATORY FRAMEWORK

The micro, small and medium enterprise sector (MSME) is affected by the impediments that affect all borrowers in Jamaica, but the sector faces additional obstacles to accessing credit. In general, the commercial banking sector does not lend to microenterprises. Over the last twenty-five years Jamaica has seen the emergence of a wide range of entities that provide financing to microenterprises. The majority of these operations confirm that providing credit to the microenterprise sector is very costly, with very low margins to cover costs. The lack of a regulatory framework in Jamaica for the microfinance institutions (MFI) has been identified as a constraint both by wholesalers of funds, and the micro lenders themselves.

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

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

A major concern is the lack of open and widely distributed data about the Jamaican microfinance sector. The lack of standardized reporting makes it difficult for wholesale lenders to assess the financial and

operational strength of MFIs, and reduces options for on-lending to the sector. High operating costs and a large number of small loans reduces the profitability of MFIs.

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

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

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

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

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

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

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

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

Though MFIs are considering the process of working together, there still is not yet agreement on the level and type of information that should be shared, nor a process in place to implement this. This is a

key first step toward establishing common practices and procedures within the sector, leading ultimately to self-regulation.

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

MOBILE FINANCIAL SERVICES

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

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

- Who are the potential owners of this platform?
- What did the regulatory framework look like: including banking, mobile banking, utilities and international aspects?
- What are the set of relevant technical solutions to establishing the mobile platform and at a level that all can use it as well as customize it to suit individual businesses?
- What are the commercial dimensions, including settlement, benchmarking and pricing?
- What are the macro and micro economic impacts?
- What are the concrete strategies for implementation?

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

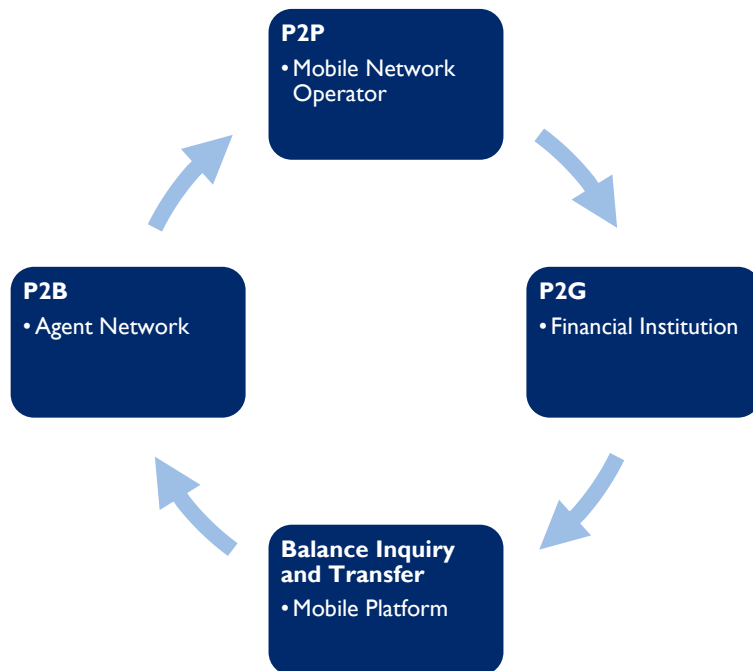
One of the major outcomes arising from the conference was the PPP's recognition that an implementation plan was needed to outline alternative scenarios for the introduction of mobile financial services in Jamaica, providing a cost benefit analysis of each scenario. In addition to the cost benefit analysis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

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

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

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

Figure 9 The Mobile Financial System

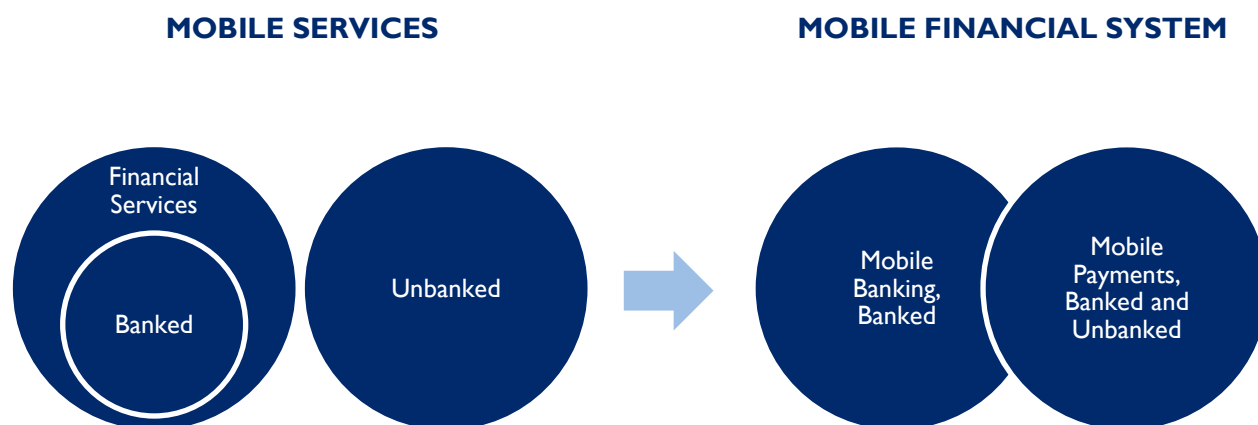


Jamaica exhibits many of the prerequisites that would suggest a useful role for using the mobile technology to encourage financial inclusion and reap the benefits generally associated with this. In Jamaica mobile subscription rates exceed 100% and there is suggestion of large numbers of individuals who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

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

- In Jamaica 33.65% of the adult population do not own bank accounts and must use cash and or the non-bank payment outlets at relatively high costs;
- Although 66.35% of the population owns a bank account, banking remains very basic with few able to access payments and remittances services using account ownership;
- Only 12% own money transfer accounts, checking accounts and credit cards;
- Few Jamaicans, 15%, have access to internet at home, suggesting that most of the banked cannot use their savings accounts to make payments and remittances;
- 77.9% - 86% of adult Jamaicans have limited access to low-cost, safe, payments channels and as a result can benefit from the implementation of a Mobile Financial System.

Figure 10 Mobile Services and Financial Inclusion



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

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

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

COMPONENT 4: LEGISLATIVE PROCESS

The Government of Jamaica is working to implement a wide-ranging legislative agenda to improve the business enabling environment, eliminate corruption and reduce crime, all of which have an impact on establishing an investor friendly environment. During the implementation of activities across program components, PRIDE Jamaica has advocated for a range of legislative and statutory changes that would improve the capabilities of public sector institutions to provide services, and reduce the time and cost required by citizens to fully comply with the law. The program resulted in substantial success on a number of key legislative items in which PRIDE Jamaica was actively engaged with colleagues from TAJ and JCA.

One of the key legislative accomplishments during PRIDE Jamaica's tenure was the passing of long-awaited amendments to existing legislation to establish TAJ as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF had established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. PRIDE Jamaica worked with TAJ to consider aspects of the legislative changes, reviewed multiple organization structures, and supported TAJ to present its case to the public-private sector committee working on tax reform activities. In October 2012, Cabinet approved a submission outlining the purpose of SARA and the legislative changes that were required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative, and in March 2013, Parliament passed the act to establish TAJ as a semi-autonomous revenue authority. As a SARA, TAJ will have more direct authority to internally allocate its budget resources toward areas that will strengthen revenue collection. It will also have more flexibility in human resource matters. This additional authority brings with it a higher level of accountability for TAJ, and the organization will begin reporting to a public-private sector management board which will serve as the oversight body. This is a major milestone in TAJ's reform program activities.

Also in March 2013, Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the tax administration authorities with respect to writing off any of this debt at any point in time.' This new 'Tax Collection Act for Arrears Write-off' legislation will enable TAJ to clear out a backlog of more than 70,000 arrears cases, and also allow for more than 70% of the current value of arrears cases that have been deemed uncollectible and represent primarily interest and penalties to be removed from TAJ's active inventory.

By the final quarter of 2013, Cabinet approved new implementing regulations for the Act, which provide the operational framework that TAJ will use to write off uncollectible arrears cases. 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. 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. Overall, this legislation will have a positive impact on establishing realistic collection targets for TAJ, enable TAJ to focus its resources on productive and higher value cases, and provide much clearer projections of the revenue that the Government can expect to receive from this source. These realistic projections will fulfill an important role in the Government's discussions with development partners.

The legislation also provides for regulations to empower the Minister to provide for a tax arrears management system and for the ranking of the tax debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations in arrears collection.

On April 2, 2013, Jamaica Customs achieved its long awaited status as an Executive Agency (EA), following its designation in Parliament on March 28 of the same year. This designation caused a change in the name of the organization formerly known as Jamaica Customs Agency (JCA), to Jamaica Customs Agency (JCA). As a consequence of EA status, Customs is expected to experience greater accountability, transparency, control, and performance improvement. It is anticipated that EA status will usher in significant reductions in turnaround time, improved customer service, and cost recovery for more of the services offered by the agency. Among the services to be implemented and enhanced are the introduction of paperless transactions, the use of a night depository to facilitate 24-hour turnaround time and, in general, increased utilization of information technology, obviating the need for the physical appearance of clients to do business.

The Agency is currently undergoing a number of organizational changes in accordance with its proposed long-term Modernization Plan, a majority of which will require additional amendments to the Customs Act. PRIDE Jamaica continued its work with JCA to legislate these critical amendments 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. Consequently, in September 2014, the Honourable Minister of Finance tabled the 'ASYCUDA Bill' in Parliament. This was a major benchmark achievement for JCA.

In June 2013, Parliament amended the Revenue Administration Act to provide Tax Administration Jamaica with greater access to third party information to improve taxpayer compliance. The amendments will expand the scope of TAJ's Commissioner General to request information from third parties who have knowledge pertinent to a taxpayer's activities without having to obtain a court order to request and receive the information. Prior to the amendments, secrecy provisions of other legislation hampered TAJ's ability to easily and effectively assess a taxpayer's revenue position during the course of an audit or investigation. The amendments address one aspect of PRIDE Jamaica's work with TAJ that began in 2011 to strengthen the Administration's assessment, collection and enforcement authorities, and also allow Jamaica to fulfill its obligations with treaty partners under various double taxation treaties.

Subsequently, the 'Third Party Information Act...2013' was passed by Parliament in July 2013, and the implementing guidelines were established during PRIDE Jamaica's last program year. These guidelines allow units within TAJ to interface with external entities to obtain information that may be needed to improve taxpayer compliance, and penalties were increased for failing to provide information. TAJ is now utilizing these guidelines within its compliance programs.

Also in July 2013, Parliament amended existing legislation to eliminate the Minister of Finance's authority to provide discretionary waivers to charities. Discretionary waivers have been a substantial source of revenue loss for Jamaica over many years, and have also been considered an opportunity to provide preferential treatment for some taxpayers. These amendments are part of PRIDE Jamaica's and other development partners' ongoing efforts to establish standardized and transparent processes criteria to

determine eligibility and provide approval for tax relief, and monitor the use of tax relief that is granted. The legislative amendments were an interim step prior to Jamaica enacting a Charities Act, and subsequently in October 2013, 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 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 2013. 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 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 also 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.

Along with TAJ, PRIDE Jamaica has been a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities, and PRIDE Jamaica's work with the Large Taxpayers Office (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. Changes to existing legislation and entirely new legislation, in addition to technical training, will be needed to strengthen TAJ's position to address these issues.

Parliament also passed amendments to the Tax Collection (Miscellaneous Provisions) Act and the Tax Penalties (Harmonisation) Act during PRIDE Jamaica's final program year. The amendments originally proposed to the Tax Collection Act in the House version of the bill would provide direct authorities to the Commissioner General (CG) to attach liens to property as a means to recover unpaid taxes and also included garnishment provisions giving the CG the authority to authorize persons who have

payments due to a person who owes taxes to pay the money to the tax authorities to cover tax liabilities.

When the amendments to the Tax Collection (Miscellaneous Provisions) Act reached the Senate, these provisions were revised to require that a Supreme Court judge determine whether a lien should be attached to property. In this determination, the judge will have to consider whether the taxpayer acknowledges the amount owed. These further amendments greatly reduce the authority of the CG and TAJ to improve compliance.

The Tax Penalties (Harmonisation) Act standardizes penalty rates applied to delinquencies across various tax types. Previously, different penalty rates were applied based on the type of tax. This evolved into a highly complex process for TAJ and taxpayers to determine the value of interest, penalties and surcharge due on unpaid taxes due. The Senate amendments to the House bill also specify that amounts paid by a taxpayer shall first be applied to the principal amount owed, followed by payments against amounts owed for interest, penalties and surcharges. The need to standardize penalties across tax types and applying payments first to principal were two early recommendations developed by PRIDE Jamaica when TAJ and PRIDE Jamaica began an overhaul of tax legislation in 2011.

COMPONENT 5: LAND POLICY AND ADMINISTRATION

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

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

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

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

RESULTS

PRIDE Jamaica worked closely with TAJ and JCA to implement activities focused on key recommendations from 2010 and 2011 IMF reports to improve operations and mobilize revenue collection. PRIDE Jamaica's support to TAJ and JCA has resulted in more sustainable institutions and improved revenue collection; supported good governance; and, improved the business environment. These results will support the country's competitive position in regional and global markets, making Jamaica a more attractive location for both domestic and foreign business investment.

COMPONENT I: TAX POLICY AND ADMINISTRATION

As a result of PRIDE Jamaica's capacity building and institutional strengthening support, during the project's period of performance Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) collected more than US\$250 million in revenue by implementing programs developed by PRIDE Jamaica. These results are due, in large part, to the strategic approach PRIDE Jamaica adopted since project start-up, with a further increased focus on project impact.

Fundamental to PRIDE Jamaica's impact and results are the strong working partnerships PRIDE Jamaica established with TAJ and JCA that enable the project to work so integrally with colleagues on implementation. These relationships must be considered to fully appreciate PRIDE Jamaica's successes to date. Complementing these efforts, PRIDE Jamaica's coordination with other international development partners, in particular the Fiscal Affairs Department of the IMF, has had a strong impact on PRIDE Jamaica's implementation focus and success. PRIDE Jamaica has focused on improving key operational areas with TAJ and Jamaica Customs since project implementation began. These specific efforts are supporting TAJ, JCA and the Government of Jamaica (GOJ) to improve Jamaica's economic position, and are enabling the GOJ to meet stringent benchmarks in the new International Monetary Fund (IMF) agreement. Finally, USAID/Jamaica's flexibility, and extremely supportive and collegial working relationship with PRIDE Jamaica, and USAID's leadership role with international development partners and senior GOJ officials, further underscores the PRIDE Jamaica's ability to perform successfully. As a confirmation of PRIDE Jamaica's success and USAID's leadership, in a historic commitment the Government of Jamaica provided funding to USAID that enabled a contract extension period for PRIDE Jamaica to continue operating. Without the further funding from the GOJ, PRIDE Jamaica would have prepared to close-out in October 2013.

Throughout each phase of its work program, PRIDE Jamaica achieved, and in some cases exceeded expected results. One of the most important results in the area of tax reform was the completion of the fully costed modernization implementation plan for TAJ. This effort was initially begun during 2009 by the Ministry of Finance and Planning (MoFP) and other donors, but sufficient technical resources could not be garnered to complete the preliminary steps to access the technical assistance that was needed. Shortly after beginning implementation, PRIDE Jamaica was asked to support TAJ to meet what had now become an urgent requirement within a short timeframe established by the IMF.

The fully costed modernization implementation has served as the document that guided TAJ's reform activities over the following 4 years. It also outlined the costs that the GOJ would have to allocate to ensure that the plan is implemented. Just as important, it clearly outlined the type and level of resources that TAJ must secure from outside sources to supplement local resources in order for the implementation plan to be fully funded. PRIDE Jamaica worked with USAID/Jamaica, TAJ, and US Treasury's Office of Technical Assistance (OTA) to garner support from other donors to secure the

resources that TAJ required to achieve the reform objectives. PRIDE Jamaica also utilized the modernization implementation plan to outline its implementation activities to support the TAJ reform efforts.

One of the interim milestones completed during the costing exercise was the analysis prepared by PRIDE Jamaica to recommend that the TAJ move forward with a procurement for a Commercial Off the Shelf (COTS) IT system, rather than relying on in-house development of new software. Based on discussions with other units in the GOJ, it became apparent that in order for the TAJ to implement its reform program in a timely manner, particularly in order to institute its re-engineered business processes that would be integrated with a new IT solution, a decision to go the route of a COTS solution provided the best option. PRIDE Jamaica prepared the analysis and participated in the presentation of this analysis to the TAJ, resulting in the decision to proceed with the COTS solution. This reduced implementation time of a new IT system by at least 12 months.

In December 2011, the Government of Jamaica signed a US\$62 million loan agreement with the Inter-American Development Bank (IDB) to support a tax reform program with TAJ and a customs reform program with Jamaica Customs Agency (JCA). USAID/Jamaica played a key leadership role to coordinate donors and provide the forum for TAJ to present its case for the necessary funding. This loan is the culmination of work initiated by PRIDE Jamaica in June 2010, which resulted in TAJ's Fully Costed Modernization Implementation Plan (MIP). The MIP defined the costs to reform TAJ over a three year period across every area of the organization. An essential element of the plan was the cost to procure a new IT system that will enable TAJ to more effectively implement its re-engineered business processes (supported by PRIDE Jamaica during the previous program year) and improve revenue mobilization. PRIDE Jamaica worked with TAJ to prepare the draft Request for Proposal (RFP) to procure a Commercial Off the Shelf (COTS) system that will be financed with the IDB loan. The IDB notified TAJ and JCA early in 2013 that each could proceed with their respective RFP's to procure new IT systems. Support from PRIDE Jamaica to TAJ to reach this milestone included re-engineering TAJ's core business processes, preparing the RFP, and participating on the technical evaluation committee.

TAJ published the procurement notice to begin the procurement of the new system. TAJ received responses from bidders, and PRIDE Jamaica participated in the first round of reviews of the technical responses. TAJ is expected to award a contract early in 2015.

When OTA's work with TAJ ended in March 2011, PRIDE Jamaica assumed the responsibility for project management to support TAJ's reform activities. This was a critical period in TAJ's transition process as it became an integrated tax administration agency on April 1, 2011, and moved forward with plans for implementing SARA, re-engineering business processes and implementing new systems to facilitate compliance. PRIDE Jamaica collaborated with TAJ on a two-phased activity to strengthen TAJ's position in its move toward SARA. During phase one PRIDE Jamaica developed a structure for a new budget and analytics unit to enable TAJ to maintain tight budget and accounting controls during budget execution, while also building the analytical capacity needed for effective strategic planning, performance based budgeting, and revenue financial management. In phase two of this activity PRIDE Jamaica shifted its focus from budget organization structure to budget processes. PRIDE Jamaica worked with TAJ to map processes to ensure that budget execution and accounting controls will be maintained during the transition period to SARA, and also mapped processes that will be performed by the budget analytics unit once the new organization is established. As a result of implementing the processes recommended by PRIDE Jamaica, integrating operations and adopting FinMan, TAJ reported that it has improved internal operating efficiencies of the processing payments division by 50%, to the extent that it has redeployed resources to other accounting functions.

In order to populate the senior and mid-level positions within TAJ, PRIDE Jamaica worked with the IMF's Caribbean Regional Technical Assistance Centre (CARTAC) and TAJ to finalize an updated organizational structure. PRIDE Jamaica worked closely with Deputy Commissioners General to develop appropriate organizational structures for each of the organization's operating divisions - Management Services, Operations and Legal Support - that are operational during the transition period pending establishment of the SARA organization.

PRIDE Jamaica worked with TAJ to establish and present its case to the then Minister of Finance in support of TAJ's transition to a semi-autonomous revenue authority (SARA). Elections in December 2011 brought a change in Government. The new Minister of Finance provided his support for TAJ to proceed to establish itself as a SARA. Following on PRIDE Jamaica's work with TAJ to strengthen TAJ's assessment, collection and enforcement authorities, TAJ prepared a Cabinet submission to effect changes to the Revenue Administration Act. These changes will enable TAJ to access information from other public sector agencies in order to more effectively identify taxpayer non-compliance, and strengthen TAJ's enforcement authorities. TAJ drafted the Cabinet submission to effect these changes and the Minister of Finance presented this to Cabinet early in the new program year.

Utilizing key findings from previous IMF reports, in addition to needs arising during the preparation of the July/August 2010 Fully Costed Modernization Implementation Plan, PRIDE Jamaica addressed essential business process issues in TAJ to establish systems to improve revenue mobilization, strengthen capacity and improve taxpayer compliance.

Based on funding changes over the life of the project, PRIDE Jamaica focused solely on implementation activities with Tax Administration Jamaica and Jamaica Customs, and provided some reform project support to the Ministry of Finance and Planning. Building on key findings from previous IMF reports, prior work completed by PRIDE Jamaica, and issues identified by counterparts, PRIDE Jamaica's focus with TAJ addressed essential business process issues to establish, improve and implement systems to improve revenue mobilization, strengthen capacity and improve taxpayer compliance. PRIDE Jamaica also participated as the only external member on a MoFP committee working to develop an automated process to track requests and approvals of statutory and discretionary tax relief. The new process being established will provide transparency, accountability and an effective means to accurately measure the impact of tax expenditures on the GOJ's revenue.

Identified as a high priority by the IMF in March 2011, PRIDE Jamaica designed new operations performance management reports that enable the Commissioner General, Deputy Commissioner General and senior managers to quickly review data and information to assess the performance of tax operations and take corrective action. Included in the design are measurement elements for cycle time and quality of work performed (audit); inventory volume, enforcement actions recommended, and age of open inventory (debt management); and numbers of newly registered taxpayers and numbers of e-filers (taxpayer services).

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

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

The IMF's September 2011 in-depth review of several key tax operations areas highlighted the severe under-staffing of TAJ's Large Taxpayer Office (LTO). Due to the under-staffing and high auditor to taxpayer ratio, the IMF determined that TAJ was not able to mobilize revenue collection in several high priority sectors. PRIDE Jamaica has worked closely with the Large Taxpayer Office (LTO) since December 2011 to strengthen its abilities to conduct audits in high priority sectors and improve taxpayer compliance. To support TAJ's efforts to mobilize revenue collection, PRIDE Jamaica initiated support to LTO in the conduct of audits in the telecommunications sector. PRIDE Jamaica and TAJ anticipate that this sector will contribute to improved revenue mobilization. As a result of TAJ's work in this sector, overall taxpayer compliance is improving. This is supported by an increase in revenue collections in a two month period of US\$68 million in 2012 over the same period in 2011. Throughout the implementation of this activity, PRIDE Jamaica has worked closely with TAJ to strengthen capacity and institutionalize this capability. As the LTO began preparing to conduct audits in the large retail sector, PRIDE Jamaica completed a first review of LTO's pre-assessment activities. To assist their efforts, PRIDE Jamaica prepared additional data analysis training materials to strengthen LTO's use of computer-based data analysis tools. LTO will apply these tools to the upcoming audits in the large retail sector and to audits it conducts in other sectors.

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

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

Working in the key tax operations area of audit, PRIDE Jamaica worked with TAJ's Forensic Data Investigations Unit (FDIU) and Audit Programmes to establish risk criteria for General Consumption Tax (GCT) and high-risk Personal Income Tax Filers. After programming the schema against a test group of returns in all the categories, TAJ and PRIDE Jamaica developed TAJ's Annual Audit Plan for FY 2012/2013. This plan, which covers the fiscal year beginning April 1, 2012, incorporates the entire risk framework developed by PRIDE Jamaica and TAJ. As a result of using this risk framework, TAJ is applying this risk based approach across the organization to select cases for audit. The selection criteria, which are applied to all tax returns, will enable TAJ to select cases that are higher risk and will most likely result in additional revenue mobilization. Applying this approach also enables TAJ to reallocate personnel to other functions and physical locations on the basis of audit case loads in the various revenue service centers. The template for the Annual Audit Plan is one that TAJ can easily adjust during a fiscal year to incorporate revisions based on implementation results, and can also be used on an ongoing annual basis to establish the plan for the next fiscal year. PRIDE Jamaica will continue to support TAJ to manage implementation of these new processes at the revenue service centers.

As a result of ongoing concerns raised by the IMF regarding TAJ's enormous backlog of open arrears cases, PRIDE Jamaica undertook strategic work to prioritize tax arrears cases for collection; establish cost effective collection procedures for different categories of cases; establish criteria to enable TAJ to increase case closure across all categories of open arrears cases; apply a case management process to arrears collection; and, establish criteria and processes to write off severely aged, uncollectible debt.

This was a dramatic move away from TAJ's previous process to attempt collection on all outstanding arrears cases regardless of age or value.

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

As PRIDE Jamaica and TAJ established the prioritization criteria for arrears cases, the criteria were programmed and applied to a set of test cases, with some revisions made to the prioritization criteria. PRIDE Jamaica then developed different collection procedures for the categories ('High', 'Medium', 'Low') of open cases, which consider the cost to TAJ to undertake collection efforts based on the value of the debt. Finally, PRIDE Jamaica established a process to designate a case as 'closed' in order to begin clearing the list of open cases. After testing the new processes at one RSC, TAJ implemented the new procedures across the organization in May. Using the new prioritization system and treatments, for the first time between April through July 2012, TAJ collected US\$33 million from the high and medium priority cases.

Implementing this new approach is enabling TAJ to make clear strides in reducing the backlog of cases and to apply a more efficient allocation of limited staff resources. The case management approach provides improved performance management measures for TAJ to assess staff performance and to allocate resources more effectively to maximize revenue collection. The proposed debt write-off policy and procedures prepared by PRIDE Jamaica were publicly endorsed by the Minister of Finance, and legislative changes were drafted to enable the new policy to be implemented.

To further support improvements in tax arrears collection, PRIDE Jamaica worked with the Tax Arrears Management Unit (TAMU) in Programmes to prepare TAJ's FY2013-2014 Tax Arrears Management Annual Plan. PRIDE Jamaica and TAJ modified the framework of the prior year's plan (which had been developed with support from PRIDE Jamaica) to reflect current inventories, revised staffing allowances, and the "experience rates"²¹ for projected closures. The new plan was further revised to allow for the detailing of hours and employees (lending staff time) from one Revenue Service Centre (RSC) to another to support closing larger case inventories in some RSC locations. TAJ closed more than 19,755 High and Medium priority arrears cases, and collected a combined US\$48,595,400 million from these cases during the GOJ's fiscal years ending March 2013 and March 2014. Overall tax arrears collections increased 6% over the GOJ's previous fiscal year that ended March 31, 2012.

With trends moving in the right direction for arrears collection, there is still substantial room for TAJ to improve revenue collection. To support further improvements, PRIDE Jamaica and TAJ developed an extensive training program and trained close to seventy Arrears Collection Team Leaders and

²¹ Experience rates refer to the number of total hours required by a Compliance Officer to close a case.

Compliance Officers to improve collection skills and increase arrears case closures. TAJ also established a working group from various TAJ functions to develop the Tax Arrears Management Standard Operating Procedures (SOP) Manual. This was a major recommendation made by PRIDE Jamaica. The SOP manual will strengthen the implementation of the new standardized processes for arrears collection, and further support TAJ's efforts to focus its resources on those cases which are higher priority and the most collectible. The draft SOP Manual, which incorporates major aspects of PRIDE Jamaica's technical input, has also incorporated aspects of the training program provided by PRIDE Jamaica for close to 77 Compliance Officers to improve collection skills and increase arrears case closures.

PRIDE Jamaica worked closely with Tax Arrears Management Unit (TAMU) to improve the quality and timeliness of work by Compliance Officers to more effectively close tax arrears and compliance program cases. Part of PRIDE Jamaica's support included ongoing focus with TAMU to conduct case reviews at the RSC level, provide feedback to assistant general managers and highlight the importance to submit timely, accurate and complete reports regarding work completed. PRIDE Jamaica's review of arrears cases over the period with TAMU indicated there is strong and growing improvement in the quality, timeliness and completeness of the work by Compliance Officers at a number of the regional offices. At the RSC management level, PRIDE Jamaica worked with TAMU and TAJ's Executive Management to reinforce the critical need for the RSC's to regularly submit timely, accurate and complete reports, as these reports provide strategic performance information for decision makers at TAJ and MoFP. In preparation for the current 2014/2015 fiscal year, PRIDE Jamaica worked with TAMU to develop the framework for the FY 2014/2015 TAM Annual Plan. TAJ began implementing the FY 2014/2015 Tax Arrears Management Annual Plan on April 1, 2014, the start of the GOJ's new fiscal year.

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

PRIDE Jamaica worked with the Forensic Data-mining Unit (FDU) and TAMU to improve overall compliance with tax return filing and payment requirements. PRIDE Jamaica worked with FDU and TAMU to develop the integrated FDU/TAMU Compliance Leads Work Plan for the GOJ's 2013/2014 fiscal year. FDU is using various internal and external databases to identify taxpayers in the following categories:

- New taxpayers;
- Taxpayers with additional registration obligations;
- Taxpayers with incorrect reporting and payment issues;
- High Profile / High Value taxpayers acquiring high-value properties, motor vehicles and other assets; and,
- Guest Accommodation Room Tax (GART) potential taxpayers.

To improve implementation and reporting on compliance programs, PRIDE Jamaica worked with TAMU to develop the Programme document containing the new standardized processes, procedures and reports that Programmes and the RSC's are now using. This work plan system is a substantial improvement in the approach by the Programmes Office to assure the various programs are developed, assigned and worked on a timely basis.

TAJ has vastly improved the activity reporting systems which now allow accurate data to be gathered in order to determine the level of accomplishment and results for each compliance program. This information will provide management with decision making data on whether to expand a particular program or to discontinue a program that is not producing the anticipated results. The Forensic Data mining Unit (FDU) and TAMU have implemented and incorporated operational recommendations from PRIDE Jamaica that will enable TAJ to focus on those cases that are the highest priority in terms of dollar value and other selection criteria. TAJ collected more than US\$27 million from compliance programs during the GOJ's fiscal year, which began on April 1, 2013 through March 2014. As with arrears collections, there is a substantial opportunity for TAJ to improve collections from these programs.

Improving compliance by implementing risk based assessments to select audit cases and improving the audit management function have been other areas of ongoing strategic focus by PRIDE Jamaica and TAJ. The new annual audit plan format developed by PRIDE Jamaica integrated the classes that were established for the risk formulas, and these were incorporated into the FY 2012/2013, FY 2013/2014 and FY 2014/2015 Annual Audit Plans developed by PRIDE Jamaica and TAJ's Audit and Investigations Unit (AIU). The annual results of TAJ's 2012/2013 audit assessments did demonstrate some substantial improvements. The value of audit assessments increased 72% over the value of audit assessments from the previous fiscal year. The percentage of 'no change' audits declined, from 9.47% during the FY 2011/2012, to 4.86% in FY 2012/2013. This is a reduction of almost 50%, and is an important measure in the audit function. It demonstrated that more audit cases were being selected which resulted in an additional assessment. Since audits are an expensive way to obtain compliance (and revenue), a tax administration needs to allocate audit resources to cases in which it expects there will be a change in the tax yield. Both of these results represented substantial improvements in TAJ's audit function. To improve audit managers' skills in some of the substantive functional areas, PRIDE Jamaica worked with the Audit Unit to update and expand a comprehensive training program. PRIDE Jamaica worked with the Audit Unit to review existing training materials, develop new training materials, and provide training to the Audit Unit and RSC Assistant General Managers to better implement the audit process.

PRIDE Jamaica conducted a review of casework performed by Special Enforcement Team (SET) Officers and worked with SET to update and further develop its SOP's, which established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. PRIDE Jamaica continued its work with SET and developed an annual work plan for the unit, similar to the format PRIDE Jamaica previously developed for TAMU. Implementation of this work plan is essential to allow SET and the Intelligence, Investigations and Enforcement leadership to manage the work flow of the SET unit.

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

Continuing on the legislative agenda, Parliament passed three key legislative items to improve TAJ's operations, all of which PRIDE Jamaica was actively engaged in. One of these accomplishments was the long-awaited amendments to existing legislation to establish TAJ as a semi-autonomous revenue authority (SARA). PRIDE Jamaica worked with TAJ over the last three years to consider aspects of the legislative changes, reviewed multiple organization structures and supported TAJ to present its case to the public-private sector committee working on tax reform activities. In March 2013, Parliament passed an act to establish TAJ as a semi-autonomous revenue authority (SARA). The Government of Jamaica has advised USAID that the legislation that has been passed, will be signed into law at the end of December 2014. As a SARA, TAJ will have more direct authority to internally allocate its budget resources toward areas that will strengthen revenue collection. It will also have more flexibility in human resource matters. This additional authority brings with it a higher level of accountability for TAJ, and the organization will begin reporting to a public-private sector management board which will serve as the oversight body. This is a major milestone in TAJ's reform program activities.

In March 2013, Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time.' This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. The operational framework of the Cabinet submission and the legislation are based on PRIDE Jamaica's work to improve arrears collection. This legislation will have a positive impact on establishing realistic collection targets for TAJ, will enable TAJ to focus its resources on productive and higher value cases, and provide much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will fulfill an important role in the Government's discussions with development partners. The legislation also provides for regulations to empower the Minister to provide for a tax arrears management system and for the ranking of the tax debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations in arrears collection.

In June 2013, Parliament amended the Revenue Administration Act to provide Tax Administration Jamaica with greater access to third party information to improve taxpayer compliance. The amendments will expand the scope of TAJ's Commissioner General to request information from third parties who have information pertinent to a taxpayer's activities without having to obtain a court order to request and receive the information. Prior to the amendments, secrecy provisions of other legislation hampered TAJ's ability to easily and effectively assess a taxpayer's revenue position during the course of an audit or investigation. The amendments address one aspect of PRIDE Jamaica's work with TAJ that began in 2011 to strengthen TAJ's assessment, collection and enforcement authorities, and also allow Jamaica to fulfill its obligations with treaty partners under various double taxation treaties. PRIDE Jamaica will continue to advocate for further legislative changes that are needed to improve compliance and provide for equitable treatment for taxpayers.

COMPONENT 2: LICENSING AND OTHER COMPETITIVENESS AREAS

Support by PRIDE Jamaica to reform activities in Component 2: licensing and competitiveness areas had positive impact on maintaining those joint public-private partnerships that are essential for the successful implementation of reform measures to take effect.

DEVELOPMENT APPROVALS PROCESS

In the area of Development Applications Approvals, PRIDE Jamaica's support contributed toward reaching a significant milestone for the Development Assistance Centre (DAC) that was officially launched on March 16, 2011. This event marked the culmination of the work of the Jamaica Chamber of Commerce's (JCC), Legislation, Regulations and Process Improvement "Legs and Regs" Committee. "Legs and Regs" was responsible for establishing the public-private partnership for the Development Approvals Process Project (DAPP), under a Cooperative Agreement with USAID. The establishment of the DAC is the manifestation of recommendations by the "Legs and Regs" project.

With support from PRIDE Jamaica, the "Legs and Regs" public-private partnership transitioned to the PRIDE Jamaica's Access Communication Reform Efficiency (ACRE) Task Force which provided the monitoring and oversight of the DAC pilot operations. The DAC provides full pre-consultative and facilitation services to development and construction clients, with a complete response to building submissions being provided in 20 days or less. The DAC used this matrix and model to push the entire approval and review process to under 90 days. During the period of PRIDE Jamaica's involvement approximately 67% of projects submitted were achieving this benchmark.

The PRIDE Jamaica ACRE Task Force Action Plan provided a structured approach involving joint public/private stakeholders, and outlined recommendations for activities that will have short to medium term positive impact on development approvals reform. The Action Plan was utilized as a resource tool by the GOJ during the periodic revision of its Master Plan document. The GOJ Master Plan is used to guide reform activities in the development approvals area, and also seeks to leverage funding from donor and local private sector counterpart sources to support the implementation activities. The GOJ implemented recommendations presented by the PRIDE Jamaica ACRE Task Force Action Plan to achieve DAPP reform objectives. Guided by the Action Plan, PRIDE Jamaica implemented activities that informed recommendations for whether or not a two-tiered system of development approvals was required, including the conduct of a review of the legislative framework governing development applications review and approval. PRIDE Jamaica developed a Legal Opinion for statutory enabling of a Two Tier System of development approvals. The Legal Opinion has taken a close look at existing common-law as it affects (a) the shortcomings of delay in the processing of applications and (b) lack of provision of critical feedback to applicants. It has concluded that the common law does give full support to purging the development approvals systems of those shortcomings, without resort to legislation.

In keeping with recommendations presented by PRIDE Jamaica's ACRE Task Force to advocate for other reform measures that remained on the collective agenda and which were supported by stakeholders involved in the DAP reform effort, Jamaica's Prime Minister announced in September 2010, that the National Building Code was to be enacted. A Bill to establish the Building Act 2011 that will facilitate adoption and efficient application of the National Building Code, was tabled by the Prime Minister in the House of Representatives on September 27, 2010. The building legislation, with drafting instructions was produced in September of 2012. Additional drafting work was required. The revised Bill has since been submitted to the Ministry of Justice, with the required adjustments made. According to the Bill, the building code will significantly reduce or eliminate the practice of granting exemptions which existed and it will also bind the Government of Jamaica.

IMPORT EXPORT PROCESSES

PRIDE Jamaica's assistance to the trade and customs communities has supported Caribbean Basin Security Initiative (CBSI) interventions that leverage existing mechanisms, programs, and institutions to reduce corruption by increasing the use of vetted units, internal audits, and good governance practices. These interventions will further allow Jamaican enterprises to maintain or increase the competitiveness of their products and services in global markets and should enable Jamaica to improve on the trading across borders category and experience economic growth.

PRIDE Jamaica facilitated interface and dialogue between stakeholders within the import/export sector, and provided a neutral environment for stakeholders to interact on matters of national economic significance in order to develop consensus on the way forward for gradual reform of the sector. Named, the Trade Community System Partnership (TCSP), the group comprised a joint public/private stakeholder consortium from among the port community that focused on improving transparency, reducing corruption, and reducing the time and costs to move goods into and out of Jamaica.

Utilizing funding from CBSI, PRIDE Jamaica, worked with the TCSP to complete a comprehensive mapping exercise that detailed the numerous processes involved in the import/export process. The mapping included users, suppliers and facilitators of import/export services. The TCSP considered re-engineered processes, improved technology and multi-user interface as critical mechanisms through which agencies and private sector users will see results. By working closely with this public/private partnership, PRIDE Jamaica provided the group with the opportunity to have more open and transparent dialogue in order to work through many outstanding issues. Using the results of the import/export mapping exercise, PRIDE Jamaica supported the TCSP to select the most appropriate systems and solutions to reform the import/export process. It is through this level of interface that PRIDE Jamaica strategically secured stakeholders' endorsement for various reform follow-on opportunities that were supported by the project. PRIDE Jamaica's facilitation of public/private partnerships assisted the sustainability and success of those initiatives that were undertaken and implemented.

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

Encouraged by the PRIDE Jamaica produced Import/Export mapping report, the TCSP initiated the first phase of a procurement exercise for a Port Community System (PCS). A small sub-committee was formed by the TCSP to put together a Stage I tender document (Request for Information) for the Port Community System Project. PRIDE Jamaica was asked to conduct a review of the document and to offer advice, especially to evaluation criteria as they related to the design, development and implementation of a port community system for Jamaica.

Representing a significant module toward establishing a single window for trade facilitation in Jamaica, PRIDE Jamaica conducted an assessment that would help to identify and establish priority participants, departmental "champions", and create a road map for the achievement of an 'Other Government Agencies (OGA) cluster'. The assessment would enable the Jamaica Customs Agency (JCA), as the lead agency, to determine the level of OGA preparedness to support a national trade efficiency initiative, and identify those gaps that are the greatest impediments to the effective participation of the OGA's in a

strategy to develop a Single Window for Trade. PRIDE Jamaica concluded that the most practical and promising route to achieving a national single window (NSW) was to base actions on the planned Port Community single window that was being developed in conjunction with the public-private Trade Community System Partnership (TCSP). Guided by PRIDE Jamaica, the TCSP assumed the primary leadership role toward this objective. The aim of a single window, and the associated techniques of electronic data interchange (EDI) and risk management, is to eliminate paper, paper payments, face to face meetings and personal decision making, thereby reducing corruption and improving the business enabling environment. This initiative will be significant to advance Jamaica's plans to establish a national Logistics Hub, which is currently high on the nation's agenda.

YUTE WORKFORCE DEVELOPMENT

PRIDE Jamaica supported workforce development through a US\$400,000 grant to the Private Sector Organisation of Jamaica (PSOJ) for the Youth Upliftment through Employment (YUTE) Program. Funded with CBSI workforce development funds, YUTE was established to provide training, job placement, and entrepreneurship support to 2200 at-risk youth from vulnerable communities. YUTE's agenda was supported by a broadly based public-private partnership.

Forty (40) male YUTE participants completed a 4-week Challenge Camp in July 2011, while a female residential camp was held in January 2012.

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

The mentorship program was a fundamental element of YUTE. Through August 2011, 604 persons had signed-up and completed applications to become mentors. To the date of final reporting, 298 mentors were trained and matched with mentees following mentorship training which began in August 2011.

The timing and level of resources made available to PRIDE Jamaica affected the rate and scale of implementation activities, with future funding confirmed at significantly lower levels and the overall project timeframe being reduced by one year. As a result of reduced funding, USAID/Jamaica requested during the 2011-1012 program year, that PRIDE Jamaica focus implementation activities solely on tax administration reform and customs reform, and complete its management oversight of the YUTE workforce development grant with PSOJ.

JAMAICA CUSTOMS AGENCY

Building on key findings from previous IMF reports, as well as prior work completed by PRIDE Jamaica, along with issues identified by counterparts, PRIDE Jamaica implemented several activities within the scope of Caribbean Basin Security Initiative (CBSI) funding. An important element of PRIDE Jamaica's CBSI activities included working closely with Jamaica Customs to effectively manage risk to increase border security and eliminate corruption and improve revenue mobilization, while making it easier for legitimate businesses to operate. In the area of improving security and reducing corruption, PRIDE Jamaica worked with Jamaica Customs to improve transparency, strengthen enforcement and increase border security.

PRIDE Jamaica focused support to establish a fully functioning risk framework system supported by a modern IT infrastructure at Jamaica Customs. At the time of implementation of risk management reform activities with PRIDE Jamaica, approximately 80% of the Risk Management Unit's (RMU's) productivity was concentrated on processing the physical flagged entries. In keeping with the recommendation made by PRIDE Jamaica, in September 2011 the Commissioner of Customs approved a proposal submitted by customs' RMU for discontinuation of the physical processing of flagged import entries. All flagged import entries will instead flow directly to the Valuation Verification Unit for processing. The objective of this was to reduce processing time on flagged entries and increase time available for greater analysis within the RMU. PRIDE Jamaica worked with the RMU to analyze and monitor the flagged entries by employing greater emphasis on electronic copies, internal systems and databases, and feedback from the Valuation & Verification Unit, and other units within Customs. PRIDE Jamaica assisted JCA to establish an effective risk management framework with policies, procedures and functions. **Based on PRIDE Jamaica's work with JCA to allocate staff resources to focus on higher risk categories of cargo, JCA reduced the clearance time for some categories of imports by 2 days; this represents a 10% reduction in customs clearance time within the 2011–2013 period.**

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

PRIDE Jamaica's focus on risk management activities is designed to strengthen the capacity of Jamaica Customs to deliver its services, improve the level of staff performance and commitment, generate revenue mobilization, improve border protection, and increase compliance among the trade community. Officers within RMU have also implemented other areas of risk management improvement that have been recommended by PRIDE Jamaica; to include; AEO Account Monitoring, Transaction/Criteria Analysis and Monitoring, Traders Monitoring and Evaluation and Performance Analysis.

Jamaica Customs confirmed interest in working with PRIDE Jamaica to implement reform activities outlined in the Customs Modernization Plan in preparation for its Executive Agency (EA) status. PRIDE Jamaica worked with JCA to legislate critical amendments to the Customs Act in keeping with Customs modernization, and advocated for a better approach to the legislative reform process. Jamaica Customs was encouraged by PRIDE Jamaica to prepare a wholly new legislative framework shaped by the Revised Kyoto Agreement pertaining to Customs Agencies. JCA opted to proceed with separate packages of updates to the existing legislation. The primary reason cited for this decision is that JCA wanted to proceed as quickly as possible to apply the ASYCUDA World²² system, a COTS²³ package that the Commissioner of Customs committed to procuring for JCA, and in order to do so, certain legislative items needed to be established.

²² ASYCUDA World is one of three versions of the Automated Systems Customs Data (ASYCUDA) software product supplied by UNCTAD. The other versions are ASYCUDA ++ and ASYCUDA v.2

²³ Short for *commercial off-the-shelf*, an adjective that describes software products that are ready made applications for common business functions.

With funding support from the IDB, JCA completed the procurement of its integrated ICT customs management system, ASYCUDA World, in August 2014, and has begun implementation of the new system. Assistance from PRIDE Jamaica is enabling JCA to update the critical risk parameters that will be established by the system.

ASYCUDA World will improve Customs control and risk management capabilities, and will facilitate voluntary taxpayer compliance and reduce risk. The system uses modern technology to improve security; trade efficiency and the fight against corruption while increasing Customs revenue and trade facilitation. It also provides single window functionality. With the acquisition and implementation of ASYCUDA World, a 10%-20% increase in revenue collection is estimated for JCA due to comprehensive automation. The implementation of ASYCUDA World ICT system will strengthen transparency, uniformity, standardization and consistency of Customs procedures. In September 2014, the Honourable Minister of Finance tabled the 'ASYCUDA Bill' in Parliament. This was a major benchmark achievement for JCA.

Working alongside both the Risk Management and Valuations Units at JCA, PRIDE Jamaica recommended changes to valuation processes that were implemented by Jamaica Customs. These changes resulted in Jamaica Customs Agency reporting record numbers for additional revenue collection. The Customs agency collected an amount of US\$1.7 million for the period September to December 2012, for cargo that had been under-invoiced by importers. In July 2013, JCA reported collections of US\$128 million, surpassing by 10% or US\$9.88 million, the target of US\$119million that was established by the Ministry of Finance and Planning. This is a direct result of Jamaica Customs implementing AEO Risk, AEO Compliance and Customs Valuation procedures that were developed and recommended by PRIDE Jamaica through its ongoing work with Jamaica Customs in these target areas. These figures represented the highest collection of revenue in any one month in the history of Jamaica Customs. Also noteworthy is that JCA accomplished this over a period when there was a decline in key imports.

PRIDE Jamaica's support to Jamaica Customs to use appropriate transaction methods when applying the customs codes from the World Trade Organization (WTO) Valuation Agreement has assisted Jamaica Customs to establish the framework for streamlined and predictable valuation processes (Customs Valuation) as a further means of protecting tariff concessions; collecting revenue for the governing authority; implementing trade policy; and protecting public health and safety. As part of this support, PRIDE Jamaica reviewed the Customs Act to identify opportunities to strengthen the enforcement measures available to Jamaica Customs. With support from PRIDE Jamaica, JCA prepared a Cabinet submission that proposes legislative changes to strengthen these enforcement measures, which will further improve revenue collection and border security.

PRIDE Jamaica has worked extensively with JCA in the post-clearance audit function. As a result of implementing recommendations made by PRIDE Jamaica, in 2011 JCA established the Auditing, Collection and Delinquency Branch within Jamaica Customs, which separated the collections function from the Post Clearance Audit Branch. Through dedicating staff to collections JCA's arrears collections increased from US\$1.65 million in FY 2011/2012 to US\$3.16 million in FY 2013-2014. The increase is largely due to the use of court judgments, liens, garnishment and related press coverage. The fledgling staff won 6 out of 8 judgments for JCA. These judgments have earned JCA new found respect and are acting as a deterrent for unscrupulous practices.

Building on this technical assistance, JCA made much progress against fraudulent practices that are designed to lower value in order to evade applicable duty charges and taxes. Jamaica Customs reports that as of June 2014, the year to date (YTD) target for the fiscal year was US\$251.32 million, while the YTD collection was US\$254.68 million, exceeding the existing YTD target by US\$3.3 million, or 1.34

percent. The Jamaica Customs Agency continues to improve its performance as the second largest revenue collection agency of the state behind TAJ.

To support development of JCA's Authorized Economic Operator (AEO) program, PRIDE Jamaica prepared a draft Trade Compliance Strategy to complement Jamaica's national strategies for gaining operational control at the ports of entry. This was one aspect of JCA's process to transition from its Trusted Trader Program to a fully operational and integrated AEO Program, in accord with World Customs Organization (WCO) guidelines. The Trade Compliance Strategy also guided efforts toward a system that is swift, safe, predictable, and secure for legitimate imports entering the Jamaican marketplace. Jamaica Customs prepared a Cabinet submission outlining suggested legislative changes to the Customs Act that will be needed to support AEO implementation and strengthen JCA compliance initiatives. PRIDE Jamaica worked alongside Jamaica Customs to advocate for the passage of these legislative amendments.

To reduce time and costs for legitimate businesses to operate and to enable JCA to focus its resources on higher risk areas, PRIDE Jamaica supported improvements in Jamaica Customs' AEO program. Based on the sustainable operating approach PRIDE Jamaica and JCA developed, JCA continued to apply new valuation procedures and incorporated new processes into the updated operations of the AEO program. These operational changes, supported by training from PRIDE Jamaica reduced by two days the time it takes for compliant importers to import their goods. The traders' compliance program complements JCA's compliance strategy and in so doing, limits the potential for corruption by applying standards and practices that increase transparency and predictability.

Much progress has been made with the AEO program and the validation of 15 pilot companies was completed. From among a total of 186 companies that applied to the program, 31 entities have gone through the AEO validation exercise and all of the top 100 large importers to Jamaica have submitted applications.

PRIDE Jamaica has also developed a proposed structure for a new AEO Unit and has prepared audit guides designed for the trade community that will also strengthen JCA's outreach efforts. PRIDE Jamaica worked with Jamaica Customs to strengthen the implementation and reformed operational aspects of the AEO Program.

With significant assistance from PRIDE Jamaica, the AEO program has been revitalized and the risks have been reduced. In July 2014, the AEO program at Jamaica Customs was formally presented at a national launch and symposium event. Jamaica is cemented as the first English-speaking Caribbean nation to implement AEO, aligning Jamaica Customs with international trade standards established by the World Customs Organization (WCO). This will result in stronger Jamaican borders, increased revenue collection and improved voluntary compliance by the private sector, which supports trade and economic growth.

The IMF included an in-depth review of several key operational areas within the Jamaica Customs Agency (JCA). One was the system Jamaica Customs currently employs to monitor the importation of petroleum and petroleum products. During its review, the IMF determined that systems in place were not supporting full compliance. Petroleum imports account for approximately 30 percent of JCA revenue collections. Possible abuse in this sector was likely resulting in significant under-reporting of imports with concomitant loss of revenue. PRIDE Jamaica benchmarked the JCA's petroleum monitoring processes and provided a revised operational framework to enable JCA to establish effective monitoring in accord with international best practice.

JCA implemented PRIDE Jamaica's recommendations which include, among other reform measures, the use of Standard Operating Procedures (SOPs) and instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer. Training was conducted for Customs Officers to accurately measure volumes of petroleum products as these are off-loaded from vessels. JCA also re-deployed personnel to strengthen effective monitoring. This is enabling JCA to accurately and efficiently verify the types and volumes of bulk products offloaded and allow JCA to assess the appropriate revenues due and payable on the petroleum imports. PRIDE Jamaica's work with JCA will result in an increase in revenue collection, improved transparency and reduced corruption. Guided by recommendations from PRIDE Jamaica, JCA has established a dedicated Petroleum Monitoring Unit, whose primary function is to effectively manage the tax administration of the petroleum sector, which had not been performing to expectation.

With PRIDE Jamaica's assistance, TAJ's Excise Department and JCA are better integrating their operations. 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 for the petroleum sector. PRIDE Jamaica also worked alongside JCA to develop an Audit Plan which articulates in greater detail the performance steps for audit. PRIDE Jamaica's support to facilitate coordination between TAJ's Excise Division and the Post Clearance Audit (PCA) and Suffrance Wharves units at Jamaica Customs enabled both audit teams to collaborate during conduct of the audit and to regularize the petroleum trade. With support from PRIDE Jamaica, TAJ Excise Officers and JCA are better integrating their operations. JCA reported that its ability to monitor the movement of petroleum products and to account for revenues due from petroleum imports have been significantly strengthened as a direct result of improved communication and inter-agency collaboration with TAJ. As a result of a random selection of Customs entries that were cross-referenced against TAJ excise records; JCA determined there was significant revenue due from previous imports of ethanol. With support from PRIDE Jamaica, JCA was able to conduct further reviews of data in order to accurately assess the amounts due. Guided by recommendations from PRIDE Jamaica, both agencies have agreed to the preparation and conduct of future joint audits for the petroleum sector. This has resulted in improved Customs operations, reducing risk to revenue and increasing transparency among operators in the petroleum sector.

Utilizing new measures developed by PRIDE Jamaica to assist with accounting for all petroleum products, JCA has identified un-accounted product. JCA implemented management processes that recovered the first US\$35 million of a total US\$51.61 million of outstanding customs revenue due within the petroleum sector in 2012. In June 2013, Jamaica's sole oil refinery, Petrojam Ltd., announced that it would implement dyeing of diesel fuel in order to note the difference between regular diesel and ultra-low sulphur diesel. This is one of the key recommendations made by PRIDE Jamaica as a means by which JCA can better track diesel fuel that is intended either for re-export or for the bauxite companies, and which is instead finding its way into the local market without the requisite customs and excise duties being paid. This initiative is a direct result of the work that PRIDE Jamaica implemented with Jamaica Customs in the petroleum sector.

The Petroleum Audit Technical Guide, also 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. The guide will 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 will result in the Post Clearance Audit (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 worked with JCA to develop a comprehensive petroleum Audit Program, including specific audit steps to address the petroleum industry and to ensure thorough audit coverage. This product was reviewed and coordinated with the Audit Division staff and appropriate training was provided for the audit team to emphasize the importance of thorough preparation and effectively managing the process throughout the audit. PRIDE Jamaica provided training to 24 new Account Managers that allowed JCA to implement standardized guidelines to measure petroleum and petroleum products imports. This is further strengthening JCA's capacity to assess the appropriate revenues due and payable on the petroleum imports.

PRIDE Jamaica conducted training for 33 Customs auditors that was structured as a presentation on Audit Work Paper Standards utilizing the Jamaica Customs Audit Procedures Manual. The training stressed the importance of consistently performing audits in accordance with established audit work paper standards, with emphasis on the purpose and benefits of maintaining those standards. The training will improve the quality and reliability of the audits while building the confidence of the auditors as well as respect for their work product within Customs and the importing community.

Based on these interventions and by implementing the new measures developed by PRIDE Jamaica to assist with accounting for all petroleum products, in August, JCA raised an assessment against Petrojam Ltd., for the years 2013 and 2014 totaling US\$2 million. This assessment is based on the use of incorrect tariff codes and classifications by the importer. JCA also agreed to extend the audit period beyond the previously determined period of March 2013. Similarly, TAJ Excise confirmed the compilation of an assessment of US\$950,000 for the six-year period 2008 to 2014, specific to import volumes.

PRIDE Jamaica's work with Jamaica Customs Agency (JCA) enabled customs 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 activities all represent the primary contributing factors to Jamaica's improved 2014 global logistics ranking at 70 out of 160 nations. Jamaica improved faster than most of the world, falling 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. Countries 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.

On April 2, 2013, Jamaica Customs achieved its status as an Executive Agency (EA), following its designation in Parliament on March 28. This designation caused a change in the name of the organization formerly known as Jamaica Customs Agency (JCA), to Jamaica Customs Agency (JCA). As a consequence of EA status, Customs is expected to experience greater accountability, transparency, control and performance improvement. It is anticipated that EA status will usher in significant reductions in turnaround time, improved customer service and cost recovery for more of the services offered by the agency.

Among the services have been/are to be implemented and enhanced are, the introduction of paperless transactions, the use of a night depository to facilitate 24-hour turnaround time (implemented) and, in general, increased utilization of information technology, obviating the need for the physical appearance of clients to do business. As JCA continued to implement its modernization program, PRIDE Jamaica also supported legislative changes that are needed to strengthen Customs' implementation authorities.

PRIDE Jamaica incorporated 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, supports real

ownership by partners of the assistance that PRIDE Jamaica offers, builds human and institutional capacity, and supports sustainability of new, improved approaches. With resources focused on tax administration and customs reform, PRIDE Jamaica vigorously assessed expected results to ensure that implementation activities maximized impact throughout the program.

Across all of PRIDE Jamaica's components, implementation activities leveraged substantial funds from donors, private sector partners, and the GOJ to support mutual objectives. In the area of tax policy and administration, IDB provided substantial support to enable the investment in a new IT system to support a modernized tax administration system. The DAP already incorporated substantial financial buy-in from the ACRE Task Force – both public and private sector partners. The TCSP has invested heavy human resources to address the underlying issues that hamper import/export processes.

RECOMMENDATIONS

In recognition of the Government of Jamaica's ongoing support of PRIDE Jamaica activities, the following recommendations are suggested.

TAX ADMINISTRATION JAMAICA

- Legislation to establish Tax Administration Jamaica (TAJ) as a semi-autonomous revenue authority (SARA) although already passed in Parliament should be urgently signed into law. TAJ is implementing major organizational changes despite the fact that the semi-autonomous revenue authority (SARA) has not been fully approved by the Government of Jamaica. This approval has been pending for a lengthy period of time and nearly all TAJ managers from the top level on down are technically in "transition manager" positions, which has resulted in considerable instability, especially within the managerial cadre of the organization.
- Top-level TAJ executive management must provide appropriate directives to appropriate senior and middle level management officials. By stronger management direction and greater involvement by Senior Managers, the various programs will be better managed and generate the expected impacts and results toward improved revenue collection and taxpayer compliance.
- Procurement is to be finalized and a new tax IT system is to be fully implemented in order to provide automation across the organization and create interfaces between units. This will improve reporting efficiencies, build accountability and result in increased revenue collection.
- TAJ to urgently consider recommendations provided by PRIDE Jamaica to target other taxpayer sectors where compliance can be improved and increase revenue collection increased.
- Continue to conduct new Tax Arrears Management training for Compliance Officers in order to build capacity in this critical area.
- Institutionalize policies and enforce existing laws, regulations, SOPs. In this regard support from executive and senior management levels is imperative.
- Continuous training and capacity building to be provided. Build on the capacity/knowledge base of auditors in high priority sectors audits.
- Special Enforcement Team (SET) programs, processes and procedures are to be periodically reviewed, updated, standardized, institutionalized and enforced.
- SET Officers casework processes and procedures are to be defined, finalized and institutionalized.

JAMAICA CUSTOMS AGENCY

- Integrate strides in automation – ASYCUDA World should be supported by an independent/stand-alone Risk Management System. The dynamic nature and high volume of trade within Jamaica requires ease of access to records and formal/organized trade data.
- Establish a new issuance framework for JCA. There is none in place and ASYCUDA World will require the drafting of many new procedures and documentation.
- Executive Agency status is to be driven on a risk based approach as the cornerstone to promote a risk management culture throughout the agency.
- Active Risk Management Committee is required to drive risk management at a strategic level
- Continuous training and capacity building to be provided. Build on the capacity/knowledge base of auditors for petroleum audits. Provide adequate incentives to retain those who have been trained. Expose as many auditors as possible to this area. As the contributor to over 25% of customs revenue the petroleum sector should be given priority treatment.
- Demonstrate senior management support. A “top down” approach will foster risk management culture and staff buy-in. Similarly, senior management support is required to ensure continuous development, capacity building for AEO staff.
- Continuous review and update of Risk Register – demonstrates commitment to the process and awareness of the various changes to trade and its associated risks.
- Institutionalize and enforce Risk Management policy, principles and practices.
- Safety and insurance concerns of Customs team engaged in physical monitoring activities should be addressed or otherwise risk erosion of achievements made in monitoring and controls system. Use psychometric testing if necessary to assist in the selection process of Officers deployed to specialized areas.
- Establish and/or finalize efforts to establish a Memorandum of Understanding (MOU) between Jamaica Customs Agency (JCA) and Tax Administration Jamaica (TAJ). Although not a legally binding agreement, this will assist with streamlining the individual and collective agency/department efforts where petroleum monitoring and controls efforts are concerned and will remove a strict reliance on positive individual relationships.
- Institutionalize policies and enforce existing laws, regulations, SOPs. In this regard support from executive and senior management levels is imperative.
- Integrate Customs Risk Management Systems (RMS) and Authorized Economic Operator (AEO) activities.

- The Authorized Economic Operator (AEO) is to be written into law to allow for mutual recognition with other Customs Administrations worldwide, which is the ultimate benefit of the program.
- Review the Customs Act to incorporate recommendations for legislative changes presented by PRIDE Jamaica (Annex 3). Importantly, the period for audits is to be increased to a minimum of 6 years.
- Increase staff support, expand and institutionalize the AEO Unit in a structured manner in order to effectively manage current and future AEOs.
- Reengineer business processes in order to properly integrate the newly developed AEO procedures across all Customs areas.
- Awareness Management sessions to be held to keep current AEOs and attract potential AEOs.

ANNEXES

ANNEX I: COUNTERPART CONTRIBUTIONS

March 2010 – November 2014		
Component	USD Amount	Notes
Tax Policy and Administration	5,625,965 ²⁴	<ul style="list-style-type: none"> 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. Includes \$20,508 contribution toward Tax Policy Division Structure Assessment.
Business Licensing and Other Competitiveness Areas		
<ul style="list-style-type: none"> Import/Export Processes 	182,780	Provided by the Trade Community Partnership from estimates of activities related to the Import/Export Mapping exercise, involving SAJ, Kingston Wharves, Kingston Container Service Ltd, Port Authority of Jamaica, and Jamaica Customs; as well as for activities related to the development of an RFP to procure an integrated ICT platform (system) for trade.
<ul style="list-style-type: none"> Jamaica Customs Reform 	1,555,609 ²⁵	Represents funding support from the Cabinet Office toward mobilization, in-kind support from key personnel at JCA directly involved with Customs Modernization and Reform activities, as well as direct capital outlay from the JCA for equipment and infrastructure. Also reflects amount to support reform activities specific to AEO Program improvement and implementing petroleum measurements and monitoring functions. Finally, this includes funding provided by the GOJ directly to USAID/Jamaica to fund PRIDE Jamaica activities.
<ul style="list-style-type: none"> Development Approvals Process (DAC Operations) 	527,364	Includes salaries and allowances for permanent staff, telephone, utilities, office space, in-kind contributions and other goods and services
<ul style="list-style-type: none"> Youth Upliftment Through Employment 	1,308,142	Includes in-kind and cash contributions from private sector partner organizations, as well as cash from IDPs
Access to Credit		
<ul style="list-style-type: none"> MFI Regulatory Framework 	13,850	Development Bank of Jamaica costs
<ul style="list-style-type: none"> Mobile Financial Services Conference 	83,000	UWI, private sector, other donors
TOTAL	9,296,710	

²⁴ Of the US\$5,625,965 total, US\$1,587,519 is in-kind contributions from TAJ and US\$884,551 was provided by the MoFP to USAID to fund PRIDE Jamaica activities.

²⁵ Of the US\$1,555,609 total, US\$228,105 is in-kind contribution from JCA and US\$683,681 was provided by the MoFP to fund PRIDE Jamaica activities.

ANNEX 2: PERFORMANCE MONITORING PLAN RESULTS TABLE

Results and Related Performance Indicators ²⁶	Baseline	2010 Target ²⁷	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 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 ²⁸	5	8 ²⁹	5	8 ³⁰	3	4 ³¹	2	2 ³²
Sub-intermediate Result 1.2 Institutional Capacity for Administration Strengthened											
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.		1	1 ³³	4	7 ³⁴	3	7 ³⁵	2	2 ³⁶	2	2 ³⁷

²⁶ 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.

²⁷ 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.

²⁸ 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.

²⁹ 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.

³⁰ 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.

³¹ 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.

³² 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.

³³ Includes ACRE Task Force assessment of pilot operations of the DAC.

³⁴ 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).

³⁵ 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.

³⁶ 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.

³⁷ 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.

Results and Related Performance Indicators ²⁶	Baseline	2010 Target ²⁷	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 Results
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7 ³⁸	2	5 ³⁹	2	3 ⁴⁰	1	5 ⁴¹
IR2: Private Sector Capacity to Participate in Reforms Increased											
Sub-intermediate Result 2.1 Private sector partnerships and collation-building strengthened											
Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.		3	3 ⁴²	5	6 ⁴³	2 ⁴⁴	4 ⁴⁵	2	2 ⁴⁶	0	0
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8 ⁴⁷	--- ⁴⁸	---	--- ⁴⁹	---	0	0

³⁸ 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.

³⁹ 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.

⁴⁰ 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.

⁴¹ Assessing performance of SET operations in TAJ; establishing performance management indicators for the Investigations Unit; new issuance assessment for JCA; workload assessment for overtime requirements in JCA; establishing a Customs Issuance System; improving capacity to conduct joint TAJ/JCA post-clearance audits in the petroleum sector.

⁴² Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

⁴³ 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.

⁴⁴ 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.

⁴⁵ 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).

⁴⁶ Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

⁴⁷ 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.

⁴⁸ Due to reduced funding and in accord with USAID/Jamaica guidance, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 9 to 0.

⁴⁹ Due to reduced funding and in accord with USAID/Jamaica guidance, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 12 to 0.

Results and Related Performance Indicators ²⁶	Baseline	2010 Target ²⁷	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 Results
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 ⁵⁰	5	6 ⁵¹	2 ⁵²	4 ⁵³	2	2 ⁵⁴	0	0
Number of changes made to business enabling environment.		---	---	4 ⁵⁵	4 ⁵⁶	2 ⁵⁷	5 ⁵⁸	2	6 ⁵⁹	2	7 ⁶⁰

⁵⁰ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

⁵¹ 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.

⁵² 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.

⁵³ 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).

⁵⁴ Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

⁵⁵ 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.

⁵⁶ 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.

⁵⁷ Due to reduced funding and in accord with USAID/Jamaica guidance, PRIDE Jamaica completed activities in several components earlier than expected. As a result, the target was changed from 3 to 2.

⁵⁸ 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.

⁵⁹ 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.

⁶⁰ 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'; Amendments to the Tax Collection Act to strengthen TAJ collection authorities; integration of Risk Management principles in JCA operations; workload assessment for JCA overtime requirements; JCA Technical Guide for Petroleum Audits; development of organizational structure of new AEO Unit at JCA and, establishing a Customs Issuance System.

ANNEX 3: RECOMMENDATIONS FOR REVISIONS TO JAMAICA CUSTOMS ACT AND REGULATIONS

1. Auditor access to books, records, and facilities.

This authority is granted by: CA 3-Officers to have power of constables,

CA 4-Acts of the Commissioner, CA 17-Importer requirement to deposit duty demanded, CA 53-Boarding authority, CA 54-Open access authority, CA57-Search authority, CA 71- Requirement to answer questions and produce books and records (addressing vessel Master or agent), CA 238-Power of arrest, **CA 223**-Reqmt to produce records & answer questions up to 3 years, subject to penalty for failure to comply, refuse entry or deposit of funds owed. Also, CA 209 & 210-Penalties for false declaration and evading Customs laws.

Auditors believe they should have stronger power to collect funds and enforce compliance. It appears that their needs could be met by management support and enforcement of the above referenced provisions, especially CA 223.

2. Drawback (CA 45-49, 230-232, CR 103-112)

Comments: CA 45 is vague in stating that the Minister may order what products and conditions are subject to drawback, but implies a requirement for a document explaining a company's drawback process and products involved to be submitted and approved by the House of Representative in advance in cases other than exportation. It does not address what conditions or accountability is required.

CA 47 requires the drawback claimant to make a declaration that required conditions have been met, subject goods have been exported, and that the claimant was entitled to such drawback. A declaration form or format is not identified, acceptable proof of exportation is not addressed, and conditions of entitlement are not explained.

Some conditions are addressed in CR 103-112, but are general and don't address accountability requirements for the claimant. There do not appear to be prescribed forms or formats for filing drawback claims. There is apparently no specified time limit for filing a drawback claim after the date of exportation. Without accountability requirements the claimant has no compliance guidelines and Customs officials have limited basis for enforcement.

It is the consultant's opinion that there should be a requirement for a document explaining a claimant's drawback process and involved products and accountability to be submitted and approved in advance by the Minister of Finance or Customs management. This would establish their knowledge of and ability to comply with established Customs requirements.

3. Temporary Import under bond (CA 35-37, CR 28)

Provisions for temporary imports in bond appear adequate subject to referenced "International Customs Convention on Touring, 1949"

4. Bonded warehouses (CA 95-132, CR 83-96)

Bonded warehouse provisions appear to be reasonably thorough.

5. **Customs brokers** (CA 233, CR 144-147)

Regulations governing Customs broker requirements appear to be reasonably thorough.

6. **Audit Period:** Private sector compliance is not enhanced by the current short liability time frame within which Post Clearance auditors can take action. Some basic principles for JCA to contemplate in the process of identifying discrepancies and taking appropriate actions should include the following considerations:

- A long liability period strengthens compliance efforts by the trade community since the risk of revenue loss due to errors or negligence is greater
- Most countries prefer to harmonize the document-holding period for record keeping by the public for both the Tax and Customs administrations⁶¹
- The statutory period for liability usually coincides with the record retention period

7. **Current Status of Draft Legislative Amendments:** Significant differences exist between the document retention period and the period of liability for revenue losses detected during an audit at JCA. A few specific examples are noted below:

- a. Current Customs Act: Section 19.8 states that value issue liability period is for **two (2) years only**.
- b. Current Customs Act: Section 223.1 provides that documents need to be retained and produced for a period up to **three (3) years**. (It is noteworthy that the committee had previously suggested a reduction to 2 years.)
- c. The World Bank/UNCTAD package of legislative revisions is very good. In its draft form a paragraph on p. 9, suggests new language for section 224(A) of the Customs Act which states: "The commissioner may, at any time within **four (4) years** of importation, exportation or carriage coastwise of any goods, require any importer, exporter or other person concerned in that importation, exportation or carriage coastwise or in the carriage, unloading, landing or loading of such goods... to furnish to him in such form and manner as he may require any information relating to the goods;" etc.

8. **Recommendation:** Changing the audit period is a bold move that will increase revenue as well as improve overall compliance with customs laws and regulations. Revenue collection from improved compliance and larger penalty/duty recovery **will** increase **significantly**. Also, a change to a 6-year period will ensure that the two major revenue agencies in Jamaica (TAJ and JCA) have consistent time frames.

⁶¹ A time frame of 6 years would be comparable to the TAJ authority (under the Income Tax Act the requirement is to maintain proper records, in English, for a minimum of six (6) years.) Please note: Usually the liability timeframe and records retention would be the same. (Source: TAJ website.)

9. Jamaica Customs has a well-trained and viable Post Clearance Audit section. However, their audit plan should be devised to have maximum impact on those traders who actively do not follow the law, by increasing the possibility of being caught.
10. The current Jamaica Customs Act does not provide a positive compliance atmosphere for traders especially in the areas of advanced cargo reporting and the basis for Customs Audit. Lack of private sector record availability requirements, clear legal authority for inspection/audit of trade related financial records and short duration for duty/tax recovery stifle incentives for voluntary compliance.
11. JCA employs modern risk management techniques utilizing selective inspections and post-clearance audits to accomplish their respective missions. The Commissioner/CEO has moved aggressively to modernize using programs such as the AEO program and deploying a modern Customs ITC solution such as ASYCUDA. JCA has a particularly strong and effective Post Clearance Audit program. The Auditors have led the development of AEO Program (with the active support of the Risk Management Unit) and have greatly improved the compliance levels of the Jamaican Trade Community. Validation exercises have thus far been conducted on 26 companies. The AEO Program is popular in Jamaica with 186 companies applying for status – 26 validated to date.
12. Please note: Customs audit is an excellent tool to verify compliance and refine risk management techniques. A Customs Post-Clearance Audit⁶² is not viewed as a conventional audit but serves to determine the level of compliance with Customs laws and regulations applicable to importers and is an evaluation of company practices and records. It assists in judging the integrity of information supplied in the Customs declaration and the importer's level of compliance with Customs legislative requirements. Customs overall aim is to achieve private sector compliance on a company-by company basis while assuring themselves that the company's import department is knowledgeable with Customs' laws and regulations. JCA has done a particular good job in this regard. Also, using a post-clearance audit approach is superior than transaction based clearance because
13. The JCA Post-Clearance Audit Unit has depleted their resources by converting 5 auditors to Account managers with enviable results. Our hope is that these positions be compensated with the additional positions of new qualified staff.
14. Based upon workload and responsibilities, we recommend that 6 audit positions be assigned to Kingston with 4 more for Montego Bay plus one Supervisor for the Montego Bay group.
15. Additionally, the additional number of staff that has been requested to complete the current list of applicants for the revamped AEO program is 17. Additional staff of 17 will allow the current number of applicants to be processed in 6 months. There are currently 4 Account Managers active with 1 vacancy pending approval from JCA HRM. The total number of AEO Account Managers that will be

⁶² Post clearance audit (PCA) or audit-based controls are defined by the Revised Kyoto Convention as measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned. Post-clearance audit is a critical control methodology for Customs and other border regulatory authorities as it enables them to apply a multi-layered risk-based control approach by moving from a strictly transaction-based control environment to a stronger audit-based administration. Transaction-based controls are those controls applied to each individual shipment at the time of crossing the border, such as physical examination, verification of value, origin and classification of goods, sampling, verification of certificates, licenses and permits, etc.

required is dependent on the final number of companies approved. Usual international ratio for account managers is from 5 to 20 persons (depending upon the account's compliance complexity)⁶³.

16. A minimum of 30 Account Managers will eventually be needed to administer both the security and trade compliance aspects of the Jamaica AEO program when full implementation is gained. In the interim, 7 persons on detail have been recommended to assist in the validation process with the Commissioner's approval.
17. Current Staffing for AEO is 4 account managers plus 1 vacancy to be filled. As ASYCUDA World implementation progresses, officers and positions that are no longer needed for port operations can be converted to required account manager positions if qualified.
18. **The Post Audit group is understaffed.** Currently there are 24 auditors – 20 in Kingston, 4 in Montego Bay. 5 Auditors have been moved to the Account Manager position and are fully engaged in the redesign and launch efforts.
19. The standard audit requirement for a trusted trader program is one mini-audit⁶⁴ per year for each enrolled company. Since slightly over 100 companies are receiving the AEO expeditious privilege in one degree or another this necessary risk mitigation should be adhered to as much as possible. Despite being short staffed, the audit team has performed well governing the AEO program: They conducted 33 AEO audits over the past year (April 2012- March 2013) with approximately 3 companies being removed due to audit findings over the past 2 years (April 2011- March 2013). Overall, the audit group assessed \$510,589,677.84 JMD for the year ending March 31, 2013. Based upon workload and responsibilities, we recommend that 6 audit positions be assigned to Kingston with 4 more for Montego Bay plus one Supervisor for Montego Bay group

⁶³ Note that JCA's AEO program is both a complete trusted trader program as well as a supply-chain security program. Therefore, the AEO program's Account Manager position is more complex and demanding than, for example, the U.S. security program (C-TPAT) that lack a trusted trader component.

⁶⁴ A mini-audit lasts less than 3 days and is a random check of 5 or less entries. Also, compliance effort success is measured and judged. The audit usually makes recommendations for improvements and on occasion can result in suspensions or even revocations.

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