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CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE Board of Revenue Assistance Project			2. PROJECT NUMBER 532-0095	3. MISSION/AIC/W OFFICE OPEP
5. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code; Fiscal Year, Serial No. beginning with No. 1 each FY)	
A. First PRO-AG or Equivalent FY <u>83</u>	B. Final Obligation Expected FY <u>85</u>	C. Final Input Delivery FY <u>86</u>	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ <u>6,117,000</u>			From (month/yr.) <u>June 1983</u>	
B. U.S. \$ <u>4,552,000</u>			To (month/yr.) <u>March 1985</u>	
			Date of Evaluation Review	

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., program, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
Development of a work plan jointly between the Board of Revenue and Syracuse for the project's anticipated activities for the remaining months of the contract.	George Whitehouse	October 1, 1985

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. Continue Project Without Change

B. Change Project Design and/or Change Implementation Plan

C. Discontinue Project

11. PROJECT OFFICER AND MOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Michael McLindon, Project Officer
Canute Miller, Chairman, Board of Revenue

12. Mission/AID/W Office Director Approval

Signature: *Julius P. Schlotthauer*
Typed Name: Julius Schlotthauer (A. Director)
Date: 29 July 85

PROJECT EVALUATION SUMMARY (PES) - PART II

The following topics are to be covered in a brief narrative statement (averaging about 200 words or half a page per item) and attached to the printed PES facesheet. Each topic should have an underlined heading. If a topic is not pertinent to a particular evaluation, list the topic and state: "Not pertinent at this time". The Summary (Item 13) should always be included, and should not exceed 200 words.

13. SUMMARY - Summarize the current project situation, mentioning progress in relation to design, prospects of achieving the purpose and goal, major problems encountered, etc.

14. EVALUATION METHODOLOGY - What was the reason for the evaluation, e.g., clarify project design, measure progress, verify program/project hypotheses, improve implementation, assess a pilot phase, prepare budget, etc? Where appropriate, refer to the Evaluation Plan in the Project Paper. Describe the methods used for this evaluation, including the study design, scope, cost, techniques of data collection, analysis and data sources. Identify agencies and key individuals (host, other donor, public, AID) participating and contributing.

15. EXTERNAL FACTORS - Identify and discuss major changes in project setting, including socio-economic conditions and host government priorities, which have an impact on the project. Examine continuing validity of assumptions.

16. INPUTS - Are there any problems with commodities, technical services, training or other inputs as to quality, quantity, timeliness, etc? Any changes needed in the type or amount of inputs to produce outputs?

17. OUTPUTS - Measure actual progress against projected output targets in current project design or implementation plan. Use tabular format if desired. Comment on significant management experiences. If outputs are not on target, discuss causes (e.g., problems with inputs, implementation assumptions). Are any changes needed in the outputs to achieve purpose?

18. PURPOSE - Quote approved project purpose. Cite progress toward each End of Project Status (EOPS) condition. When can achievement be expected? Is the set of EOPS conditions still considered a good description of what will exist when the purpose is achieved? Discuss the causes of any shortfalls in terms of the causal linkage between outputs and purpose or external factors.

19. GOAL/SUBGOAL - Quote approved goal, and subgoal, where relevant, to which the project contributes. Describe status by citing evidence available to date from specified indicators, and by mentioning the progress of other contributory projects. To what extent can progress toward goal/subgoal be attributed to purpose achievement, to other projects, to other causal factors? If progress is less than satisfactory, explore the reasons, e.g., purpose inadequate for hypothesized impact, new external factors affect purpose-subgoal/goal linkage.

20. BENEFICIARIES - Identify the direct and indirect beneficiaries of this project in terms of criteria in Sec. 102(d) of the FAA (e.g., a. increase small-farm, labor-intensive agricultural productivity; b. reduce infant mortality; c. control population growth; d. promote greater equality in income; e. reduce rates of unemployment and underemployment). Summarize data on the nature of benefits and the identity and number of those benefitting, even if some aspects were reported in preceding questions on output, purpose, or subgoal/goal. For AID/W projects, assess likelihood that results of projects will be used in LDC's.

21. UNPLANNED EFFECTS - Has the project had any unexpected results or impact, such as changes in social structure, environment, health, technical or economic situation? Are these effects advantageous or not? Do they require any change in project design or execution?

22. LESSONS LEARNED - What advice can you give a colleague about development strategy, e.g., how to tackle a similar development problem or to manage a similar project in another country? What can be suggested for follow-on in this country? Similarly, do you have any suggestions about evaluation methodology?

23. SPECIAL COMMENTS OR REMARKS - Include any significant policy or program management implications. Also list titles of attachments and number of pages.

**INSTRUCTIONS FOR COMPLETING FORM AID 1330-15 & 15A,
PROJECT EVALUATION SUMMARY (PES)—PART I & II**

EVALUATION PROCESS - Officials of the Host Government and AID Mission should collaborate in periodic evaluation of the progress of each project. (For AID/W projects, participation of grantees is appropriate.) Timing of such regular evaluations should be linked to the key decisional requirements of the project, as listed in the Evaluation Plan included in the Project Paper and as confirmed in the Evaluation Schedule of the Annual Budget Submission; otherwise annually. A description of the evaluation process is found in Handbook 3, Part II, Chapter 8.

PURPOSES OF SUMMARY - The Project Evaluation Summary (PES) is prepared after each review to record information which is useful both to the implementors (including the Host Government and contractors) and to concerned AID/W units. It serves four purposes:

- (1) Record of decisions reached by responsible officials, so that those who participated in the evaluation process are clear about the conclusions, and so that headquarters is aware of the next steps.
- (2) Notice that a scheduled evaluation has been completed, with a brief record of the method and participation for future reference.
- (3) Summary of progress and current status for use in answering queries.
- (4) Suggestions about lessons learned for use in planning and reviewing other projects of a similar nature. The PES and other project documentation are retained in DS/EIU/DI and are available to project planners.

CONTENTS OF SUMMARY - A PES submittal has two parts, plus relevant attachments if any.

PART I REQUIRED: Form AID 1330-15 contains identifying information about the project and evaluation (Items 1-7), action decisions about the project's future (Items 8-10), and signatures (Items 11-12). Since the PES reports decisions, it is signed by the Director of the Mission or AID/W Office responsible for the project. Space is also provided for signatures of the project officer, host country and other ranking participants in the evaluation, to the extent appropriate.

PART II, OPTION 1: For regular evaluations, use continuation sheets to respond to Items 13-23 as outlined in the attached Form AID 1330-15A.

PART II, OPTION 2: For a special evaluation, the reporting unit may opt for a somewhat varied format, with a different sequence or greater detail in some areas, however, Items 13-23 should all be addressed.

ATTACHMENTS: As appropriate, reports of host governments, contractors, and others, utilized in the preparation of the evaluation summary, should be labeled A, B, C, etc., attached to the PES submittal (Missions are to submit 7 copies and AID/W Offices 7 copies) and listed under Item 23. Where it is necessary to transmit these source documents separately from the PES, Block 23 of the PES should note how this material was transmitted, when, number of copies and to whom.

SUBMITTAL PROCEDURE: Missions will submit the PES Facsheet, continuation sheets, and attachments under cover of an airgram which will be received by the Cable Room. AID/W Offices will submit the PES Facsheet, continuation sheets, and attachments to MO/PAV, Room 8-930, NS under cover of a memorandum which cites any distribution instructions beyond the standard distribution. All AID/W Offices and most Missions will use the blank cut PES Facsheet and plain bond for continuation sheets, which can be reproduced on copiers. Those Missions preferring to use hecto, may order the form in hecto sets from AID/W, Distribution Branch. There will be a standard distribution made in AID/W of all field-originated PES's. Copies will be sent to the corresponding bureau's DP, DR, the country desk and Evaluation Office. Other copies will be sent to PPC, SER, PDC and DS (including DI and ARC). For AID/W-generated PES's, copies will be distributed to all bureaus.

PROJECT: BOARD OF REVENUE ASSISTANCE
532-0095
PROJECT EVALUATION SUMMARY (PES) PART II

13. SUMMARY

The Board of Revenue Assistance Project was designed to help the Government of Jamaica reform its tax system. The United States Government Loans funds to the Government of Jamaica for the purposes of this project in accordance with the terms of a Loan Agreement, dated June 7, 1983. In 1984 the life of the project budget was increased above the original estimated cost of US\$3,553,564 by approximately US\$968,000 to cover additional anticipated costs in the areas of indirect taxation, revenue forecasting, and training.

Syracuse University activities as the contractor to provide Technical Assistance to the Board of Revenue began in June 1983. Syracuse University prepared a working paper, Comprehensive Tax Reform in Jamaica in January 1985. This paper was used in a conference held in early January at Ocho Rios, Jamaica, at which contractor experts presented their findings and policy alternatives and conference participants engaged the visiting experts and each other in active discussion.

Following the conference, Syracuse University revised the working paper in light of the policy judgements expressed by Jamaican officials. The revised working paper was submitted to the Board of Revenue in March. The Prime Minister and his cabinet are currently reviewing it. It is anticipated that the recommendations for comprehensive tax reform will be submitted to Parliament for enactment into law during the current Jamaican fiscal year.

The project has been very successful to date. The project is now about to enter the difficult phase of implementation by the GOJ. A lot of elements must fall into place for the enabling legislation to pass and for the Board of Revenue to have adequate authority and capability to administer it effectively. Therefore, the project must position itself to be able to respond with flexibility to changing demands. The project evaluation conducted in March recommended that the Board of Revenue rigorously plan the steps necessary for the reform to proceed between now and the end of June 1986. The evaluation also pointed to a need for an increased overall project management effort by Syracuse with an emphasis on the Jamaican project office and for even closer communication and coordination with the Board of Revenue.

14. EVALUATION METHODOLOGY

The scope of work for the evaluation provided that project activities to date be reviewed and assessed in terms of their timeliness, and that major changes in the project's setting and their likely impact on the project be identified and discussed. The scope of work emphasized future project implementation, including the assessment of presently anticipated project activities and the development of recommendations, as appropriate, to strengthen implementation over the remaining months of the project.

The method of the evaluation was straightforward: interviews of key individuals in the Board of Revenue, other GOJ officials, the Syracuse team, and USAID/Jamaica, were conducted by the evaluator.

15. EXTERNAL FACTORS

Important changes in the project's setting since it began include the substantial decline in the value of the Jamaican dollar, the January 1985 demonstrations associated with the rise in the price of gasoline and the resulting tourism losses, the closing in February 1985 of the Alcoa alumina processing facility, obligations of the Government of Jamaica to the IMF, and the pressure from the PNP for new elections. The recent economic setbacks are reflected in anticipated losses of revenue for fiscal year 1985-86, creating pressures for reductions in expenditures and/or increases in revenues, neither of which is politically attractive.

16. INPUTS

There are no problems with inputs.

17. OUTPUTS

Much tax policy work has been accomplished by the contractor including analyses of the personal income tax, tax and investment incentives, foreign trade and domestic indirect taxation, property taxation, and taxation of bauxite and alumina. At the time of the evaluation, studies are in progress relating to public enterprises, taxation of corporate bodies, the incidence of taxation, tax burdens on low income families, and the taxation of financial institutions. These studies have recently been completed.

18. PURPOSE

The purpose of this project is to design and introduce a Jamaican tax system that supports the Government's economic recovery program, as well as the structural adjustments through which this program is pursued. This requires that at least three criteria be met by tax reform:

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- a. The tax system needs to be restructured so that it will make a maximum contribution to the development of the economy.
- b.. A comprehensive tax reform should provide a fair and equitable tax structure.
- c. Any tax system should be administered in an efficient and fair manner.

19. GOAL/SUBGOAL

The goal of this project is to support the program for recovery and sustained broadbased growth in the Jamaican economy. This project contributes to the goal by specifically addressing the key macro-economic problem of fiscal reform.

20. BENEFICIARIES

A key group of beneficiaries are the P.A.Y.E. (Pay as you Earn) taxpayers, i.e. the wage and salary earners, who at present bear the brunt of the income tax burden. All Jamaicans should benefit indirectly by the greater economic efficiency the new tax regime should elicit.

21. UNPLANNED EFFECTS

See number 15.

22. LESSONS LEARNED

Everything has gone relatively smoothly thus far. The actual implementation phase of tax reforms is too recent to permit any lessons of general interest to be derived.

23. SPECIAL COMMENTS OR REMARKS

Please find attached the full evaluation.

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EVALUATION
OF THE
BOARD OF REVENUE ASSISTANCE PROJECT

FOR
USAID/JAMAICA
KINGSTON, JAMAICA

MARCH 8, 1985

BY
T. DWIGHT BUNCE
1405 SHIRLEY STREET
COLUMBIA, SOUTH CAROLINA 29205

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CHAPTER I
INTRODUCTION

A. Purpose of the Evaluation

The present report is the first evaluation of the Board of Revenue Assistance project since the project began in 1983.

The scope of work for the evaluation provided that project activities to date be reviewed and assessed in terms of their timeliness, and that any major changes since project inception in the project setting and their likely impacts on the project be identified and discussed. The scope of work emphasized future project implementation, including the assessment of presently anticipated project activities and the development of recommendations, as appropriate, to strengthen implementation over the remaining months of the project.

The following sections of this chapter consist of a section which lists persons contacted during the evaluation and of an Executive Summary of the present report. Chapter II discusses the project design; chapter III project activities to date; chapter IV implementation of the comprehensive tax reform program by the Government of Jamaica; and Chapter V, which is the last chapter, implementation by the contractor.

B. Persons Contacted

The following are names and organizational affiliations of individuals contacted by Mr. Bunce in the course of the evaluation.

Board of Revenue of the Government of Jamaica:

Dennis Larman, Alfred Martin, Canute Miller, Bruce Murray,
Dudley Smith, and Edwin Tullock-Reid

Syracuse University:

Roy Bahl, Gerald Doherty, George Whitehouse, and James Wozny

United States Embassy and the Agency for International Development:

Martin Dagata, Dennis Darby, Robert Friedline, Ronald Kates,
Robert Leonard, Matthew Lorimer, Michael McLindon, Julius
Schlotthauer, and Sam Skogstad

Other persons contacted include Mr. Rudolph Irvine with the Government of Jamaica Administrative Reform Program and Mr. Dan Citrin with the IMF.

C. Executive Summary

The following pages of this chapter are an Executive Summary of the present report.

EVALUATION OF THE
BOARD OF REVENUE ASSISTANCE PROJECT
FOR USAID/JAMAICA, KINGSTON, JAMAICA
BY T. DWIGHT BUNCE
MARCH 8, 1985

EXECUTIVE SUMMARY

BACKGROUND

The Board of Revenue Assistance project was designed to help the Government of Jamaica improve its tax system. The United States Government loans funds to the Government of Jamaica for the purposes of this project in accordance with the terms of a Loan Agreement, dated June 7, 1983. Using U.S. dollar financing available pursuant to the Loan Agreement, Syracuse University was employed in 1983 as the contractor to provide technical assistance to the Board of Revenue in the areas of tax policy and tax administration. Technical assistance was to be given by foreign advisors resident in Jamaica as well as by experts who would visit Jamaica as appropriate for their assignments.

Syracuse University activities under the contract began in June 1983 under the leadership of Project Director Roy Bahl. In 1984 the life of the project budget was increased above the original estimated cost of US\$3,553,564 by approximately US\$968,000 to cover additional anticipated costs in the areas of indirect taxation, revenue forecasting, and training.

ACTIVITIES TO DATE

Much tax policy work has been accomplished by the contractor including analyses of the personal income tax, tax and investment incentives, foreign trade and domestic indirect taxation, property taxation, and taxation of bauxite and alumina. Studies are currently in progress concerning public enterprises, taxation of corporate bodies, the incidence of taxation, tax burdens on low income families, and the taxation of financial institutions. These studies have been conducted in close consultation with the Government of Jamaica by economists, who are in many cases world-renowned in their fields.

Syracuse University prepared the working paper, Comprehensive Tax Reform in Jamaica, January 1985, pp. 53. This paper was used in a conference held in early January at Ocho Rios, Jamaica, at which contractor experts presented their findings and policy alternatives and conference participants engaged the visiting experts and each other in active discussion. The far-ranging discussions dealt with tax policy and administration for a wide range of tax sources and touched on related matters such as public relations and potential problems of acceptance by general public.

Following the conference, Syracuse University has begun to revise the working paper in light of the policy judgments expressed by Jamaican officials; the revised working paper is expected to be submitted to the Board of Revenue in early March. The Board in turn will review the revised working paper, and make changes or rework it as the Board sees fit. The Board anticipates submitting its recommended tax policies to the Ministry of Finance and the Prime Minister in March. It is further expected that the Prime Minister will, following cabinet deliberations, present a comprehensive tax reform program to the parliament in April.

Progress has been made concerning tax administration by the Board of Revenue with assistance from the contractor in the areas of training, computerization, and revenue forecasting. But work has been slowed by the delays in the passage of the Revenue Administration Bill and by procurement problems.

The contractor enjoys an excellent working relationship with the Board of Revenue. When problems arise, Board personnel feel free to discuss them with resident and visiting contractor staff in person, or to reach them by telephone. Indeed one of the key strengths of this project is that the Board feels it can trust and call upon Syracuse University personnel for professional consideration of issues which are often both sensitive and technically difficult.

IMPLEMENTATION OF THE COMPREHENSIVE TAX REFORM BY THE GOVERNMENT OF JAMAICA

The Board of Revenue with the support of the project needs to be flexible and resourceful in order to guide tax reform implementation and to respond to events. Project flexibility and resourcefulness will in turn be achieved as the result of the proper management of the tax reform program by the Board of Revenue. In this effort of course the Board of Revenue may look to the contractor for assistance.

Important changes in the project's setting since it began include the substantial decline in the value of the Jamaican dollar, the January 1985 demonstrations occasioned by the rise in the price of gasoline and the resulting tourism losses, the closing in February 1985 of the Alcoa facility, obligations of the Government of Jamaica to the IMF, and the pressure from the PNP for new elections. The recent economic setbacks are reflected in anticipated losses of revenue for fiscal year 1985-86, creating pressures for reductions in expenditures and/or increases in revenues, neither of which is politically attractive.

Given the bleak budget outlook, it is at a minimum a distinct possibility that the reform of the tax system would be accompanied by an overall increase in tax collections from non-bauxite/alumina and non-tourist sources. The political appeal of some of the contemplated reforms (e.g., getting after the self-employed who evade personal income taxes) may be submerged in resentment by the general public at the rise in the overall tax burden on Jamaican households. And of course unpopularity with the general public could be translated easily into political opposition, which could conceivably delay or block passage of the enabling legislation.

It may take considerable statesmanship on the part of political leaders to prepare the expenditure and revenue sides of the 1985-86 budget in order to contain the deficit and spread the sacrifice fairly among the population.

It would be useful for the Board of Revenue to consider what steps are necessary for the reform to proceed between now and the end of June 1986, possibly using using flow charts as a management tool. It should be noted that the preparation and use of flow charts by the Board of Revenue are themselves activities that would need to be anticipated. Recognizing the heavy demands already made on the time of its senior management, the Board of Revenue may wish to seek ways of adding a person to its management team who could devote his or her time to the development and use of flow charts and to the coordination of this work with similar efforts by the contractor's project management.

The Board of Revenue has an important stake in the Revenue Administration Bill and in the Administrative Reform Program. One option which the Board of Revenue may wish to consider and to bring to the attention of the Reform Program is for a separate Revenue Civil Service to be created, which would be largely independent of the general civil service.

The Board of Revenue needs to proceed with the computerization of assessments, which is an important complement to the computerization of collections, which is already under way.

IMPLEMENTATION BY SYRACUSE UNIVERISTY

The following paragraphs identify ways in which the Syracuse University within the framework of its contract with USAID/Jamaica could increasingly focus its efforts in support of the Board of Revenue's activities to implement the comprehensive tax reform program.

The Board of Revenue and the contractor should be prepared to move quickly in analyzing the incidence of the forthcoming reform so that this analysis can be used to demonstrate the (presumably) superior fairness of the (properly administered) new tax policies.

Once the Government decides on its major tax policies, there will be the vital need to draft the enabling legislation. There will be a need for careful planning and scheduling of the legal drafting tasks of the various entities that may eventually participate.

The difficult and volatile budget situation facing Jamaica makes the strengthening of the revenue forecasting capability in the Board of Revenue especially important.

As implementation proceeds, continual technical assistance in the areas of organization and personnel will be needed.

The contractor's assistance with the acquisition of training equipment and the provision of training advisory services will continue to be important elements in the project.

As computerization continues, the contractor will need to continue its excellent work in coordinating computerization activity with tax policy and tax administration activities, including training.

The consequence of the emerging situation for the tax reform program is that future activities of Syracuse University are increasingly linked to implementation demands from the Board of Revenue, which in turn is subject to the vagaries of the political process. Yet a lot of elements must fall into place for the enabling legislation to pass and for the Board of Revenue to have adequate authority and capability to administer it effectively. Therefore, the project must position itself to be able to respond with flexibility as well as competence to changing demands.

More attention will need to be paid to the specific tasks of the contractor, their relationship to each other and to activities of the Board of Revenue, and the related use of financial and manpower resources under the project's budget. These sets of elements will change as implementation proceeds.

To cope with these demands upon management it is suggested that a Work Plan be developed for the contractor's anticipated activities for the remaining months of the contract. The Work Plan could be useful for Syracuse University's internal management, its coordination with the Board of Revenue, and its reporting to USAID/Jamaica.

Obviously, the Board of Revenue's Action Plan and the contractor's Work Plan are closely related and indeed, to a considerable extent, could be developed jointly. The activities of the contractor should be governed by the needs of the Board of Revenue.

Although it would be useful to have the contractor's work plan as soon as possible, it is recognized that its preparation would greatly benefit from the active participation of the the senior management of the Board of Revenue and the the Collector General, the Commissioner for Income Tax, the Commissioner for Stamp and Transfer Taxes, and the Commissioner for Land Valuations. Given the heavy demands on the Board of Revenue's time between now and the Prime Minister's anticipated April presentation of the comprehensive tax reform to parliament, it appears that May 1985 may be the earliest opportunity. And of course the content of the work plan will be heavily influenced by the substance of the program submitted to parliament. In the meantime, the contractor could begin to assemble documents and draft appropriate formats.

It is further suggested that the contractor's work plan could be developed at a workshop for this purpose in May 1985. Senior management of the Board of Revenue, the project management of the contractor, and USAID/Jamaica representatives would participate in the development of a work plan for the contractor covering from the time of the workshop through June 1986.

There is a need for an increased overall project management effort by the contractor with an emphasis on the Jamaica project office and for even closer communication and coordination with the Board of Revenue and perhaps with USAID/Jamaica as well.

It would be ideal if the contractor's work plan were governed by a similar plan of the Board of Revenue. But it would take time on the part of the management of the Board of Revenue to prepare its own plan and to coordinate with the contractor's management. Given the importance of the Board of Revenue's plan in itself and as a framework for guiding contractor activities but recognizing the already onerous demands on the time of its senior management, the Board of Revenue may wish to consider how project resources could be used to assist in developing and employing such a plan.

It is suggested that USAID/Jamaica explain how presently budgeted funds may be spent, how funds may be reallocated from line item to line item or from category to category, and how funding increases may be sought. Explanations could include the distribution of appropriate documents and meetings (or a workshop) where these matters could be made clear.

The contractor's work plan, which could be prepared in May 1985, may indicate a need for significant changes in budget allocations. For the remaining months of the project actual expenditures and budgets need to be reviewed periodically, say, every quarter.

The summer of 1985 would not be too early for consideration to be given to whether the project should be extended and, if so, what contractual form the extension should take.

CHAPTER II
PROJECT DESIGN

This chapter briefly summarizes the goals, organization, and the anticipated outputs and inputs of the Revenue Board Assistance Project(hereafter project).

A. Goals

The purpose of the project is

"To help the GOJ design and introduce a revised Jamaican tax system that will support the GOJ's economic recovery program, and the structural adjustments through which these program goals are pursued." Project Paper, p.iv.

More specifically, the project is to "encourage and support the GOJ's export oriented and market-based economic recovery and growth program." [Loan Agreement, June 7, 1983, Amplified Project Description, p.1]

B. Organization

The United States Government loans funds to the Government of Jamaica for the purposes of this project in accordance with the terms of a Loan Agreement, dated June 7, 1983. The Loan Agreement requires the Government of Jamaica to provide its own funds and other resources necessary to support the project.

Using U.S. dollar financing available through the Loan Agreement, Syracuse University was employed in 1983 as the contractor to provide technical assistance to the Board of Revenue in the areas of tax policy and tax administration.

The USAID mission in Jamaica makes funds available for the project under the terms of the Loan Agreement and monitors project activities.

C. Outputs

Major anticipated outputs included analyses, based on intensive study, of the major categories of revenues of the Government of Jamaica, namely:

income taxation, both personal and corporate
tax and investment incentives
foreign trade and domestic indirect taxation
wealth taxation, including the property tax
taxation of bauxite and alumina

In addition special studies were to be conducted concerning the distribution of the tax burden, the elasticity of the tax system, impacts on low income families, and computerization and tax administration. The Project Paper envisaged the various analyses of the individual tax sources being used to prepare alternative proposals for comprehensive tax reform.

In the broad area of tax administration, major efforts were anticipated concerning organizational restructuring, the development of appropriate procedures, and related training.

The scope of work for Syracuse University closely followed the design in the Project Paper.

D. Inputs

Both the contractor and the Board of Revenue were to provide important inputs to the project. Syracuse University was to make available expertise in both tax policy and tax administration under its June 1983 contract with USAID. Technical assistance was to be given by foreign advisors resident in Jamaica as well as by experts who would visit Jamaica as appropriate for their assignments. Project activities in Jamaica were to be supported by on-campus personnel at Syracuse University in New York State.

In addition to technical advisory services, USAID also was to make available funds for training and commodities. The total USAID loan was expected to total about U.S. \$ 3.5 million over the life of the project.

The Government of Jamaica was to contribute managerial and technical staff support, and facilities and support for the Syracuse University team at the Jamaican equivalent of U.S. \$ 1,458,000. The Board of Revenue was expected to provide counterparts to work with the Syracuse University specialists.

CHAPTER III

PROJECT ACTIVITIES TO DATE

A. Introduction

This chapter briefly cites major project tax policy and tax administration activities from the beginning of the project in mid-1983 through February 1985 and assesses their timing in terms of the schedules in the Project Paper.

Syracuse University activities under the contract began in June 1983 under the leadership of Project Director Roy Bahl. Resident advisor David Davies and resident income tax advisor George Whitehouse began their assignments in Jamaica during the summer of 1983; resident customs advisor Gerald Doherty in January 1984. Under the direction of Professor Davies the Jamaica project office was established and over a period of several months staffing and the provision of adequate office equipment, including a personal computer and related items, were completed.

For reasons of health Professor Davies resigned and in the summer of 1984 Mr. George Whitehouse assumed the responsibilities of resident advisor, in addition to his responsibilities as the income tax advisor.

In 1984 the life of project budget was increased above the original estimated cost of U.S. \$ 3,553,564 by approximately \$ 968,000 to cover additional anticipated costs in the areas of indirect taxation (especially those arising from the contemplated General Consumption Tax), revenue forecasting, and training. The budget increase is reflected in the second amendment, dated September 28, 1984, to the Loan Agreement.

B. Tax Policy

Much tax policy work has been accomplished by the contractor as evidenced by the 16 staff working papers, the list of which is attached as Annex 1 to the present report. These papers include analyses of the personal income tax, tax and investment incentives, foreign trade and domestic indirect taxation, property taxation, and taxation of bauxite and alumina. Studies are currently in progress concerning public enterprises, taxation of corporate bodies, the incidence of taxation, tax burdens on low income families, and the taxation of financial institutions.

These studies have been conducted in close consultation with the Government of Jamaica by economists, who are in many cases world-renowned in their fields. The high quality of the papers reflects the expertise of the writers and the access and coordination which they enjoyed through the project for their research and policy development efforts. The substance of the papers also benefitted from the internal review and coordination provided by Dr. Roy Bahl and the senior economists assigned to be the technical coordinators. The papers have been generally well received by the Jamaica Board of Revenue.

With a few exceptions the tax policy work has proceeded according to the schedules set forth in the Project Paper. The Project Implementation Schedule and the Project Development Schedule from the Project Paper are reproduced as Annexes 2 and 3 to the present report. A key month in the original schedule was the presentation of comprehensive tax reform proposals in January 1985, month 20 in the schedule in Annex 2. A draft paper by the contractor and related discussions were to be important inputs into the Board of Revenue's consideration of tax policies and the Board's development of recommendations for submission to the Ministry of Finance and the Prime Minister.

In fact Syracuse University did prepare such a working paper for discussion: Comprehensive Tax Reform in Jamaica, January 1985, pp. 53. This paper formed the basis for a conference held in early January at Ocho Rios, Jamaica, at which contractor experts presented their findings and policy alternatives and conference participants engaged the visiting experts and each other in active discussion. The far-ranging discussions dealt with tax policy and administration for a wide range of tax sources and touched on related matters such as public relations and the potential problems of acceptance by general public.

Following the conference, Syracuse University has begun to revise the working paper in light of the policy judgments expressed by Jamaican officials; the revised working paper is expected to be submitted to the Board of Revenue in early March. The Board in turn will review the revised working paper, and make changes or rework it as the Board sees fit. The Board anticipates submitting its recommended tax policies to the Ministry of Finance and the Prime Minister in March. It is further expected that the Prime Minister will, following cabinet deliberations, present a comprehensive tax reform program to the parliament in April, which is only a month later than anticipated in the Project Paper schedule.

It should be noted that two tax policy elements are not as far along as the Project Paper schedule would indicate. First with respect to the Companies Income Tax the contractor has carried out initial studies but the policy work has been delayed and is still pending. Contractor progress has been delayed by the lack of policy guidance on the personal income tax from the Government of Jamaica.

In part because of the great importance given to developing policies for the personal income tax, the contractor from the outset of the project emphasized this tax. The development of policies for the companies income tax is affected by various personal income tax features including rate levels and progressivity and the treatment of dividends, of allowances for business expenses, of capital gains, and of savings credits.

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Once the government establishes its personal income tax policies, Syracuse can design appropriate companies income tax policies and administrative procedures. It had been hoped that the contractor would have received such guidance on this and other matters at the planned October 1984 conference at Minnowbrook, New York, for which extensive preparations had been made. But at the last minute Jamaican officials were unable to attend and the conference was cancelled. It now appears unlikely that a major reform of the companies income tax can be made in time for inclusion in the forthcoming comprehensive tax reform, which may well delay this component until next year.

Second, the special study on incidence of alternative tax proposals is not yet complete. It had been anticipated in the Project Paper [pp.13 and 24] that this would have been one of the studies used to help integrate the individual tax policy studies into the comprehensive program. At present Syracuse University has reportedly finished the portion of the study describing the incidence of the present tax system on representative households and is awaiting policy decisions concerning the comprehensive program before completing the study. The contractor is also coordinating this work on incidence with the Low Income Household Expenditure Survey, which is currently being completed.

These problem areas, however, should not be overemphasized given the large body of first rate work which the contractor has produced in a timely fashion. The many tax policy outputs of the contractor generally have been on schedule, of very high quality, and, very importantly, considered pertinent and practical by the Board of Revenue.

C. Tax Administration

Progress has been made concerning tax administration by the Board of Revenue with assistance from the contractor in the areas of training, computerization, and revenue forecasting. But work has been slowed by the delays in the passage of the Revenue Administration Bill and by procurement problems.

Resident income tax advisor George Whitehouse early in the project assumed the training responsibility for the contractor. Working closely with the Board, a three year training program was developed and accepted as the basis for project in country and overseas training. In country training was delayed first by the search for an appropriate center, which was fortunately resolved by an agreement that permitted use of the facilities of the Finance and Accounts College of Training (FACT). Second, there was a need for airconditioning equipment to be purchased for FACT. The procurement of this equipment proved to be time consuming and troublesome, reflecting in part a lack of understanding about whether USAID funds could be used and the problem of finding other funding. The equipment was installed and began operation in January 1985.

With active assistance from the contractor the project has provided training courses in a number of technical areas, such as basic and advanced accounting, report writing, income tax law, and unloading, physical examination, & delivery of goods, advanced instructor training, and NCR 2950 computer training. On occasion scheduled training courses have been cancelled or postponed because officials would not at the last minute release their staff because they could not be spared from their regular duties.

In the area of computerization the contractor has assisted by coordinating its tax policy and administration work with the Board of Revenue's computerization planning, which is being carried out with consultant assistance and financial support from the European Economic Community. Syracuse University has contributed to advance planning that will permit the eventual full and integrated computerization of assessments and collections, although the present EEC funds are only enough to cover the computerization of collections.

The Revenue Administration Bill, which was under consideration by the parliament last year, would bring all five operating departments concerned with revenues under the operational control of the Board of Revenue. This bill did not pass last year but is expected to be introduced and passed this year. In part because this law was not enacted, the access of the resident income tax advisor to the Income Tax Department was limited and the provision of day-to-day technical assistance impaired, a problem which continues to this day. On the other hand, customs advisor Gerald Doherty, enjoying good access to the customs department, has provided valuable day-to-day assistance on a number of technical matters such as organization, procedures, and training.

The contractor has been assisting the Board of Revenue in revenue forecasting. Last year work was initiated to develop a fiscal monitoring model and a multi-year revenue and expenditure model.

Finally, it is appropriate to conclude this chapter with an observation that applies to the tax policy as well as the tax administration activities of Syracuse University: the contractor enjoys an excellent working relationship with the Board of Revenue. When problems arise, Board personnel feel free to discuss them with resident and visiting contractor staff in person, or to reach them by telephone. Indeed one of the key strengths of this project is that the Board feels it can trust and call upon Syracuse University personnel for professional consideration of issues which are often both sensitive and technically difficult. This close working relationship also helps Syracuse University identify tax policy and administration alternatives that will be acceptable to the Government of Jamaica.

CHAPTER IV

IMPLEMENTATION OF THE COMPREHENSIVE TAX REFORM PROGRAM BY THE GOVERNMENT OF JAMAICA

A. Interrelated Elements

With the help of the project the broad range of appropriate tax policies and major administrative issues have been identified. In the near future it is expected that the Prime Minister and cabinet will settle on a course of action and introduce appropriate enabling legislation, concerning both policy and administration, in the parliament. Thus the project, indirectly at least, is about to move onto a larger stage.

This chapter and the next are concerned with the future. Where should the project go from here?

At the outset it is important to recognize the environment within which the Board of Revenue and the project operate. As illustrated in Chart 1, the Board of Revenue and the project may be considered to exist within the framework of the Government (which includes the Ministry of Finance, the Prime Minister, and the cabinet) and the parliament. And these in turn exist within the economic and political setting of Jamaica.

As the arrows in Chart 1 indicate, the Board of Revenue and the project both influence and are influenced by the Government and Parliament and by the economic and political setting. Even routine implementation (if there is such a thing) would require that many elements fall into place for the new policies to be successfully established and administered, resulting in the collection of adequate revenues. The existing difficult external conditions and the possibility of adverse future events make implementation of the program even more challenging. For example, the large budget deficit facing the country could have major impacts on how the Government chooses to implement the comprehensive tax reform program.

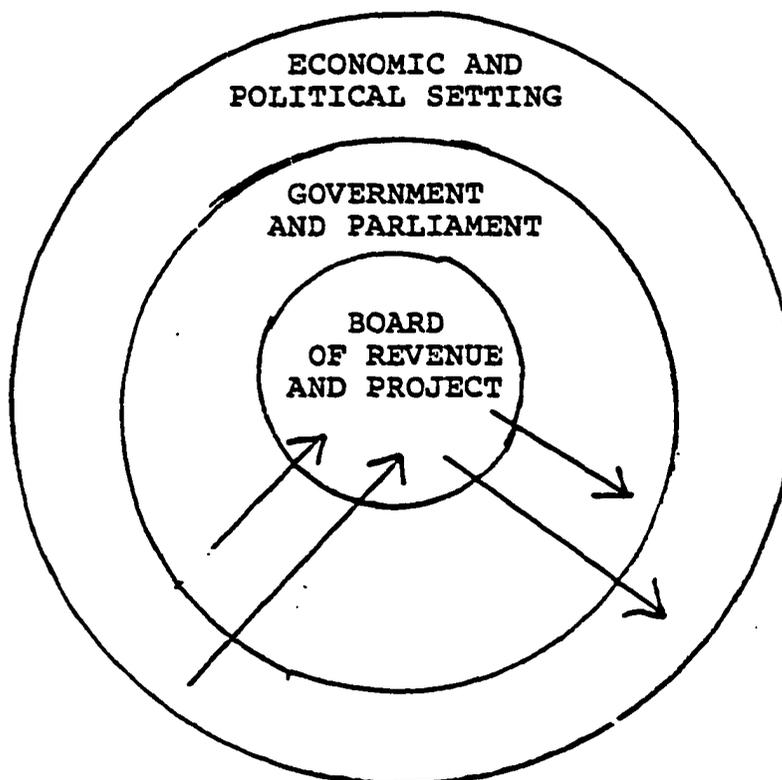
A lesson to be drawn from this situation is that the Board of Revenue with the support of the project needs to be flexible and resourceful in order to guide implementation and to respond to events. Project flexibility and resourcefulness will in turn be achieved as the result of the proper management of the tax reform program by the Board of Revenue. In this effort of course the Board of Revenue may look to the contractor for assistance.

The balance of the present chapter notes external factors that could affect tax reform implementation and cites major areas which may require attention by the Board of Revenue as it proceeds with implementation. The next chapter identifies ways in which contractor activities could be increasingly focussed between now and June 1986 on tasks which support the Board of Revenue's implementation activities.

CHART 1

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THE BOARD OF REVENUE AND THE THE REVENUE BOARD ASSISTANCE PROJECT,
THE GOVERNMENT AND PARLIAMENT, AND
THE ECONOMIC AND POLITICAL SETTING



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B. Economic and Political Setting

Since the preparation of the Project Paper and even since the mid-1983 initiation of the project, changes in the external setting have occurred which may make implementation more difficult. Moreover, it possible that things may get worse before they get better.

Important changes in the setting include the substantial decline in the value of the Jamaican dollar, the January 1985 demonstrations occasioned by the rise in the price of gasoline and the resulting tourism losses, the closing in February 1985 of the Alcoa facility, obligations of the Government of Jamaica to the IMF, and the pressure from the PNP for new elections. The recent economic setbacks are reflected in anticipated losses of revenue for fiscal year 1985-86, creating pressures for reductions in expenditures and/or increases in revenues, neither of which is politically attractive.

The comprehensive reform as embodied in the working paper discussed at Ocho Rios in January 1985 was consciously designed to be "revenue neutral," that is, total revenue collections would be held constant. The contemplated changes in various tax bases and rates imply that there would be winners and losers; but the package could be set up so as to be regarded as fair and thus it would be politically attractive. Winners would be the long-suffering PAYE employee and others with high reported personal incomes; losers would be the present tax evaders and, perhaps, those with substantial holdings of land.

Given the bleak budget outlook, it is at a minimum a distinct possibility that the reform of the tax system would be accompanied by an overall increase in tax collections from non-bauxite/alumina and non-tourist sources. The political appeal of some of the contemplated reforms (e.g., getting after the self-employed who evade personal income taxes) may be submerged in resentment by the general public at the rise in the overall tax burden on Jamaican households. And of course unpopularity with the general public could be translated easily into political opposition, which could conceivably delay or block passage of the enabling legislation.

The present situation is difficult and volatile. It is possible that future events, such as further closings in the bauxite/alumina industry, could widen the budget deficit and further lower the value of the Jamaican dollar. Further economic adversity might impair the creation of a consensus in support of the tax reform program.

The possibilities described above are possibilities to keep in mind; they are not predictions and they are largely beyond the control of the project in any event. It may take considerable statesmanship on the part of political leaders to prepare the expenditure and revenue sides of the 1985-86 budget in order to contain the deficit and spread the sacrifice fairly among the population.

The difficult budget and economic climate may necessitate alterations in the tax policies that the Board of Revenue would otherwise recommend. The project may need to be able to respond quickly to demands from the Government for further analyses of tax policy and tax administration alternatives as it copes with hard times.

C. Board of Revenue

1. Linkage to the Government and Parliament

As the comprehensive tax reform program goes forward for implementation from the Board of Revenue to the Ministry of Finance, to the Prime Minister and cabinet, and to the Parliament, there are various important areas of overall government policy that must be considered. Such implementation elements for the government and parliament are listed in Chart 2. For example, based on its own analysis the Ministry of Finance sets revenue targets which the Ministry of Finance must meet. These targets will of course affect the policies recommended by the Board of Revenue and their phasing.

For some, if not all, of the items in Chart 2 there may be a sequence of steps that could be anticipated. As an example, the steps involved in the passage of a revenue bill by parliament are set forth in Annex 4 to the present report. It would be helpful for the Government, including the Board of Revenue, to plan what actions are needed at what time and in what sequence during 1985 in order for the tax reform program to be implemented.

2. Key Implementation Areas

Given the Board of Revenue's present responsibilities and those anticipated upon passage of the Revenue Administration Bill, there are numerous areas that are of importance to the Board of Revenue in the implementation of the comprehensive tax reforms. Such elements are listed in Chart 3.

In each of the implementation areas listed in Chart 3 it would be useful or the Board of Revenue to consider what steps are necessary for the reform to proceed between now and the end of June 1986. Using flow charts, these steps could be identified and their relationships determined--some would be sequential, others concurrent; some would be essential for implementation, others simply desirable; some must be done in the near future, others may be postponed; and some would require actions by the Board of Revenue, some by higher levels of government, and some could be addressed with assistance from Syracuse University. Indeed, this exercise could provide valuable direction to the contractor for the remaining months of the project.

CHART 2

COMPREHENSIVE TAX REFORM PROGRAM
KEY IMPLEMENTATION ELEMENTS FOR THE PARLIAMENT AND GOVERNMENT

PARLIAMENT

Drafting
House and Senate Consideration

PRIME MINISTER AND CABINET

Policy
Administrative Reform

MINISTRY OF FINANCE

Expenditures
Revenue Targets
Administration

BOARD OF REVENUE

Tax policy
Tax Administration
Revenue Generation

CHART 3

COMPREHENSIVE TAX REFORM PROGRAM
ILLUSTRATIVE IMPLEMENTATION AREAS
FOR THE BOARD OF REVENUE

REVENUE GENERATION

Forecasting
Monitoring and Evaluation

TAX POLICY

Personal Income Tax
Companies Income Tax
Property Tax
Taxes on Production
and Consumption
Customs Duties
Incentives
Incidence

TAX ADMINISTRATION

Drafting of Legislation
Restructuring
Personnel Positions
Personnel Compensation
Personnel Performance
Career Development
Training
Computerization of Collections
Computerization of Land Valuation
Assessments, and Other
Public Relations and Education
Budget
Management

It should be noted that the preparation and use of such flow charts by the Board of Revenue are themselves activities that need to be anticipated. Should the Board of Revenue choose to proceed in this fashion, these activities would become part of the management area, the last implementation area on Chart 3. Recognizing the heavy demands already made on the time of its senior management, the Board of Revenue may wish to seek ways of adding a person to its management team who could devote his or her time to the development and use of flow charts and to the coordination of this work with similar efforts by the contractor's project management.

The implementation area "restructuring" under the Tax Administration heading in Chart 3 refers to both the Revenue Administration Bill, which was briefly noted in Chapter III, and the overall civil service reform being presently designed by the Government of Jamaica Administrative Reform Program. The former is important so that the various policy, assessment, and collection revenue offices can be better coordinated and controlled.

The Administrative Reform Program is important in that it has major implications concerning the extent of control which the Board of Revenue will have over its own personnel. At present the Program is examining alternatives. One possibility is that the Revenue Administration Bill would be enacted, giving the Board of Revenue major operational control, but personnel policy and management would be under the control of the Ministry of Public Service and the Public Service Commission. Lack of control over its personnel could be a significant obstacle to the hiring, retaining, and proper compensation and management of revenue officials with seriously detrimental effects on revenue collections.

The Board of Revenue thus has an important stake in the Administrative Reform Program. One option which the Board of Revenue may wish to consider and to bring to the attention of the Reform Program is for a separate Revenue Civil Service to be created, which would be largely independent of the general civil service.

Finally, the Board of Revenue needs to proceed with the computerization of assessments, which is an important complement to the computerization of collections, which is already under way. The Board of Revenue is currently seeking a source of foreign exchange for the computerization of assessments.

CHAPTER V

IMPLEMENTATION BY THE CONTRACTOR

This chapter identifies ways in which the Syracuse University within the framework of its contract with USAID/Jamaica could increasingly focus its efforts in support of the Board of Revenue's activities to implement the comprehensive tax reform program. Illustrative implementation areas for the contractor are listed in Chart 4.

A. Tax Policy

1. Incidence on Households, including the Poor

The expected incidence of the comprehensive tax reform is a crucial element in choosing the set of reforms in the first place and then in explaining to others. In fact how it will affect him is what the man in the street wants to know. The effects on the poor are especially important.

As noted in the previous chapter, although the analysis of incidence was anticipated in the project design to be an input into the formulation of comprehensive program, the contractor is waiting for government policy decisions before preparing an across the board analysis of incidence. This approach implicitly reflects the practical difficulty of doing a proper analysis of incidence given that the range of policy choices for the various tax sources under consideration by the Government is very wide. Policy decisions from the Government are expected in the near future. Given the substantive and public relations importance of the distribution of tax burdens, the contractor may be asked on short notice by the Board of Revenue to analyze incidence of the Government proposed tax system and to make comparisons to the present system.

A related question is whether the incidence of the new system should be compared to the present system as it exists on paper or as it in fact does operate. Each basis of comparison has its own merits and its own technical problems. The Board of Revenue with the assistance of the contractor may wish to consider how the choice of base would affect how the fairness of the new tax system would be perceived by the general public.

In short, the Board of Revenue and the contractor should be prepared to move quickly in analyzing the incidence of the forthcoming reform so that this analysis can be used to demonstrate the (presumably) superior fairness of the (properly administered) new tax policies.

CHART 4

COMPREHENSIVE TAX REFORM PROGRAM
TECHNICAL ASSISTANCE TO THE BOARD OF REVENUE
FROM SYRACUSE UNIVERSITY
ILLUSTRATIVE IMPLEMENTATION AREAS
MARCH 1985 THROUGH JUNE 1986

TAX POLICY

Personal Income Tax
Companies Income Tax
Property Tax
Taxes on Production
and Consumption
Customs Duties
Incentives
Incidence

TAX ADMINISTRATION

Revenue Forecasting
Coordination with Computerization
Drafting of Legislation
Training Equipment and Advisory Services
Organization and Personnel

GENERAL

Work Plan
Management
Project Budget

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2. Continuing Analysis

There will be a continuing need for contractor assistance as the Government of Jamaica evaluates policy options for individual revenue sources and the comprehensive program and assembles the necessary documentation to explain its chosen policies to parliament and to the general public. The Board of Revenue may ask the contractor to help design a phasing-in of certain tax base and rate changes. Both the revenue collection projections and the perceived fairness of the phasing of particular policy choices will be important.

B. Tax Administration

1. Drafting of Legislation

Once the Government decides on its major tax policies, there will be the vital need to draft the enabling legislation. In the past the Board of Revenue has employed the services of the Chief Parliamentary Counsel. The scope of work of the contractor includes assisting with the drafting of legislation. It is anticipated that the reform will involve a significant amount of legal drafting, which must be consistent with the proposed tax policies and administration and must properly modify existing Jamaican law. And of course the legal drafts will be subject to the Parliamentary process described in Annex 4.

There will be a need for careful planning and scheduling of the legal drafting tasks of the various entities that may eventually participate.

2. Revenue Forecasting

The difficult and volatile budget situation facing Jamaica makes the strengthening of the revenue forecasting capability in the Board of Revenue especially important.

3. Organization and Personnel

As implementation proceeds, continual technical assistance in the areas of organization and personnel will be needed. Under certain circumstances contractor assistance could be needed on a priority basis; for example, if the Board of Revenue wished to propose a separate revenue officers civil service to the Administrative Reform Program, or if a new tax had to be collected on short notice.

4. Training Equipment and Advisory Services

The contractor's assistance with the acquisition of training equipment and the provision of training advisory services will continue to be important elements in the project. Training activity is expected to increase and to extend into additional areas, including, notably, training for management analysts.

QUINCY



5. Coordination with Computerization

As computerization continues, the contractor will need to continue its excellent work in coordinating computerization activity with tax policy and tax administration activities, including training.

C. Work Plan

1. Need

At present the Tax Reform Project would benefit from a Work Plan to guide, monitor, and communicate the activities of Syracuse University.

The schedule in the project paper was quite general and left considerable latitude in fulfilling its responsibilities under its contract. This was appropriate early in the project when research on tax policy issues was being designed and conducted, and a working relationship on both tax policy and on tax administration matters was being established. During the last few months and in the remaining months of the project activities of Syracuse University will be much more oriented toward assisting the Board of Revenue with implementation in both the tax policy and administration areas.

Implementation, as previous discussion suggests, means that with a much shorter time horizon, project activities by Syracuse will be supporting the analysis of policy alternatives actively under consideration by the Government, parliament, and the general public. The political process may impose certain tasks upon the Board of Revenue, and the Board may look to the project for resources to meet those demands. Finally, no one knows exactly which direction the political process will take as it comes to grip with specific tax proposals across a range of different tax bases. There may also be external events that will affect the course of the tax reform program.

In summary, the consequence of the emerging situation for the tax reform program is that future activities of Syracuse University are increasingly linked to implementation demands from the Board of Revenue, which in turn is subject to the vagaries of the political process. Yet a lot of elements must fall into place for the enabling legislation to pass and for the Board of Revenue to have adequate authority and capability to administer it effectively.

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Therefore, the project must position itself to be able to respond with flexibility as well as competence to changing demands. On short notice, additional analysis of household incidence or of phasing may be needed; or additional training of computer operators; or the redrafting of legislation to incorporate some unexpected policy change (e.g, deletion of processed food from the GCT). These unanticipated changes in tasks for the contractor may require reallocations (or increases in) of U.S. or Jamaican dollar project budgets and level of effort of certain specialists. Thus for the remaining months of the project the Syracuse University project management can anticipate the need to be able to adjust to a changing situation and to modify its activities and their schedule in order to be able to assist the Board of Revenue in implementing the tax reform program.

2. Preparation and Use

More attention will need to be paid to the specific tasks of the contractor, their relationship to each other and to activities of the Board of Revenue, and the related use of financial and manpower resources under the project's budget. These sets of elements will change as implementation proceeds.

To cope with these demands upon management it is suggested that a Work Plan be developed for the contractor's anticipated activities for the remaining months of the contract. The Work Plan could be useful for Syracuse internal management, its coordination with the Board of Revenue, and its reporting to USAID/Jamaica.

The Work Plan would provide a useful framework during a reporting period for identifying elements that are on or off schedule and the consequences for activities coming up in the next reporting period. Given the predictably unpredictable circumstances facing the tax reform program, the Work Plan could be revised from time to time. But the Work Plan would bring together in one place the anticipated activities of the contractor and their interrelationships.

How could such a contractor Work Plan be prepared? The key point is that the activities of the contractor should be governed by the needs of the Board of Revenue. Accordingly, it would be helpful for the Board of Revenue to identify the likely course of events and anticipated activities of the Board of Revenue itself in securing passage of the tax reform legislation and of its continuing efforts to improve tax administration. It is within this framework that the activities of Syracuse University and their timing could ideally be determined.

In effect the Board of Revenue could develop a Plan of Action (or its own Work Plan), a plan that keeps in mind the external setting, and expertise and support available to it from the contractor. The Board of Revenue would plot its own course and lay out objectives and activities for accomplishment between now and the end of June 1986. The Board of Revenue's Action Plan, like the Syracuse University Work Plan, could be beneficial for internal management and external communication--e.g., to show the link between adequate salaries for computer technicians and the generation of projected revenues. The contractor Work Plan would be explicitly designed, consistent with the contractor's obligations under its contract with USAID/Jamaica, to support the objectives of the Board of Revenue and its implementation schedule.

Obviously, the Board of Revenue's Action Plan and the contractor's Work Plan are closely related and indeed, to a considerable extent, could be developed jointly. It is recognized that the preparation of a Board of Revenue Action Plan is itself a manpower-consuming task for the Board of Revenue, but one which, nevertheless, is probably well-justified by the payoff in the ability to mobilize and flexibly redirect the resources of the Board of Revenue itself and of the contractor.

The contractor would use the Work Plan as a framework for the quarterly reports to USAID/Jamaica and for continual communications with the Board of Revenue. Certainly for the contractor's activities, the use of Work Plan for reporting purposes would contribute greatly to communications. At present the quarterly reports do not clearly reference targeted dates for a set list of activities to be accomplished. Referencing the Work Plan, the contractor would report what was accomplished during the quarter and how those completion dates compared to the schedule.

Flow charts could show both progress to date and illustrate the relationships among contractor activities, such as showing some as concurrent and others as sequential. The effects of deviations from the Work Plan on overall program implementation could then be shown. Ideally of course, this use of flow charts (or CPM, etc.) by the contractor would be closely coordinated with similar efforts on the part of the management of the Board of Revenue, thus permitting the contractor's resources to be effectively and flexibly directed to assist in the implementation of the overall tax reform program.

Although it would be useful to have the contractor's work plan as soon as possible, it is recognized that its preparation would greatly benefit from the active participation of the the senior management of the Board of Revenue and the the Collector General, the Commissioner for Income Tax, the Commissioner for Stamp and Transfer Taxes, and the Commissioner for Land Valuations. Given the heavy demands on the Board of Revenue's time between now and the Prime Minister's anticipated April presentation of the comprehensive tax reform to parliament, it appears that May 1985 may be the earliest opportunity. And of course the content of the work plan will be heavily influenced by the substance of the program submitted to parliament. In the meantime, the contractor could begin to assemble documents and draft appropriate formats.

It is further suggested that the contractor's work plan could be developed at a workshop for this purpose in May 1985. Senior management of the Board of Revenue, the project management of the contractor, and USAID/Jamaica representatives would participate in the development of a work plan for the contractor covering from the time of the workshop through June 1986.

D. Management

1. Emphasis on the Jamaica Office

Implementation will result in additional demands upon the contractor's project management. Additional management time and skill will need to be devoted to directing and coordinating activities internally and with the Board of Revenue. As the tax reform project shifts increasingly into an implementation mode, contractor activities must become even more closely attuned to changing Jamaican circumstances. Contemplated changes in contractor activities may also imply the need for reallocations or increases in the USAID/Jamaica project funds and/or the need for changes in the project's anticipated activities to the extent that USAID/Jamaica approvals are needed. The shift in emphasis in the coming months from tax policy to tax administration suggests that project management must be sensitive to the current working situation in Jamaica. In short, there is a need for an increased overall project management effort by the contractor with an emphasis on the Jamaica project office and for even closer communication and coordination with the Board of Revenue and perhaps with USAID/Jamaica as well.

At present George Whitehouse has in addition to his resident advisor[director] responsibilities major obligations and demands upon his time for training and income tax activities. There are a number of ways which Syracuse University may wish to consider for strengthening project management. Two extremes may be described:

1. Syracuse could expedite the sending of a resident tax administration specialist to Jamaica, thus relieving George Whitehouse of much of his technical responsibilities and freeing his time for additional project management.
2. The management structure of the project could be changed. Project management could be headed by a full-time Chief of Party resident in Jamaica, to whom Syracuse would give the authority to direct the project and to fulfill the requirements of the contract. The Syracuse on-campus management would become home office senior management. Provision could be made for the continuation of the valuable technical review and coordination which Dr. Bahl has provided for the wide range of tax policy studies.

Between these extremes there are of course a variety of alternatives which could be considered. An eventual change in project management may or may not require changes in contractual provisions concerning key personnel or the level of effort.

A logical sequence of events would be for the Work Plan to be prepared and after which its staffing and budgeting implications would be determined. Then a set of adjustments, as necessary, could be made to the project budget and the contract.

2. Coordination with the Board of Revenue

The Board of Revenue should be consulted to ensure that any change in project management does not disrupt the excellent relationship between it and Syracuse University.

As discussed above, it would be ideal if the contractor's work plan were governed by a similar plan of the Board of Revenue. But it would take time on the part of the management of the Board of Revenue to prepare its own plan and to coordinate with the contractor's management. Given the importance of the Board of Revenue's plan in itself and as a framework for guiding contractor activities but recognizing the already onerous demands on the time of its senior management, the Board of Revenue may wish to consider how project resources could be used to assist in developing and employing such a plan.

E. Budget

1. Explanation of USAID Regulations and Procedures

At present there is a lack of understanding on the part of the Board of Revenue and the contractor of the USAID regulations and procedures that are applicable to project funds, funds which are presently budgeted in technical assistance, training, and equipment categories. It is suggested that USAID/Jamaica explain how presently budgeted funds may be spent, how funds may be reallocated from line item to line item or from category to category, and how funding increases may be sought. Explanations could include the distribution of appropriate documents and meetings (or a workshop) where these matters could be made clear.

It would be useful for these explanations to be offered in the near future and certainly prior to the suggested May 1985 workshop on the contractor's work plan in order to facilitate any budget changes implied by the work plan.

2. Reviews

The need for the project to focus on implementation, to respond to events, and to direct resources to priority areas suggests that the budget be reviewed and revised, as necessary. The contractor's work plan, which could be prepared in May 1985, may indicate a need for significant changes in budget allocations. For the remaining months of the project actual expenditures and budgets need to be reviewed periodically, say, every quarter.

F. Scheduled June 1986 End of Project

At present the Board of Revenue Assistance project is scheduled to conclude at the end of June 1986. It is possible that the Government of Jamaica and the USAID/Jamaica may wish to extend the project. If so, advance planning should be carried out in order to make a smooth transition and not to have an interruption in project activity. In particular thought should be given to the lead times typically associated with likely contractual alternatives. The summer of 1985 would not be too early for consideration to be given to whether the project should be extended and, if so, what contractual form the extension should take.

ANNEX I

JAMAICA TAX STRUCTURE EXAMINATION PROJECT

Staff Working Papers

<u>Staff Paper</u>	<u>Title</u>	<u>Author</u>	<u>Date</u>
1	Defects in Forms and Instructions: Jamaican Individual Income Tax	McLure	February 1984
2	Analysis of the Jamaican Income Tax Forms and Instructions: The Company Profits Tax and Other Tax Obligations of Bodies Corporate	DeGraw	February 1984
3	Deductions and Credits for Personal Relief Under the Jamaican Individual Income Tax: Concepts and Norms	McLure	February 1984
4	Current Administrative Procedures of the Income Tax Department of Jamaica and Some Recommended Changes	DeGraw	February 1984
5	Bauxite Taxation in Jamaica	Conrad	February 1984
6	Revision of the Indirect Tax Structure in Jamaica: A Proposal for a General Consumption Tax	Due	April 1984
7	Tax Reform and the Foreign Trade Regime in Jamaica	Whalley	April 1984
8	Jamaica's Indirect Tax System: The Administration and Reform of Excise Taxes	Crossen	August 1984
9	Jamaican Tax Incentives	Thirsk	August 1984
10	Motor Vehicle Taxation in Jamaica	Smith	September 1984
11	Analysis of Tax Base and Alternative Plans	Follain Holland Miyake	October 1984
12	The Jamaican Income Tax System: A Framework for Policy Formation	Break	October 1984
13	Land Versus Property Taxation: A General Equilibrium Analysis	Follain Miyake	November 1984
14	The Structure of Protection in the Jamaican Manufacturing Sector	Moussavian	November 1984

<u>Staff Paper</u>	<u>Title</u>	<u>Author</u>	<u>Date</u>
15	An Evaluation of the Structure of the Jamaican Personal Income Tax	Aln Bahl	December 1984
16	The Property Tax in Jamaica	Holland Follain	January 1985

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ANNEX II

PROJECT IMPLEMENTATION SCHEDULE

	<u>MAJOR ACTION</u>	<u>MONTH</u>	<u>RESPONSIBLE ORGANIZATION/ INDIVIDUAL</u>
1.	Project Authorization signed	0	USAID/GOJ
2.	PIO/T for proposed contractor sent to AID/W	1	USAID/J
3.	Obligation	1	USAID/J
4.	Conditions Precedent met	3	GOJ
5.	Resident Tax Policy, Income Tax and Customs Advisors arrive	1	Contractor
6.	Short-term T.A. arrives	1	Contractor
7.	Field Research by T.A. team begins - - comprehensive training plan completed by Resident Income Tax Advisor	2	Consultants
8.	Participant Training of staff in GO. tax departments begins	4	USAID/J
9.	In-service training of Revenue Board employees begins	8	Consultants
10.	Presentation of a program of income tax reform suggestions to the Government of Jamaica - - presentation of income tax reform proposals to Parliament	8	Consultants/ AID
11.	Presentation of comprehensive tax reform proposals to the Government of Jamaica, and providing them with assistance in preparing the "White Paper" on taxation	20	Consultants/ AID
12.	Interim Evaluation of project	20	USAID/J
13.	The presentation of tax reform proposals to Parliament	22	GOJ
14.	Resident Customs Advisor departs	25	Contractor/ AID

	<u>MAJOR ACTION</u>	<u>MONTH</u>	<u>RESPONSIBLE ORGANIZATION/ INDIVIDUAL</u>
15.	The implementation of specific tax reform proposals accepted by the GOJ, and Revenue Board personnel training oriented to those specific tax reforms	25	Consultants/ AID
16.	Final evaluation of project	32	USAID/J
17.	Income tax and Tax Policy Advisors depart	37	Contractor/ USAID/J
18.	In-service training of Revenue Board employees ends	37	

ANNEX III

PROJECT DEVELOPMENT SCHEDULE (1983)

<u>MAY 1983</u>		
EC review Mission approval (5/11)	Loan Agreement prepared	Obligation (5/18)

PROJECT TIMETABLE (1983-1986)

<u>JUNE 1983</u> Tax policy and Income tax Advisors arrive. Field research starts. (6/1)	<u>OCTOBER 1983</u> IBRD/AID loan discussions in re tax policy	<u>JANUARY 1984</u> Presentation of general program of tax reform suggestions to government. Begin in-service training of Revenue Board employees. Customs advisor arrives.	<u>JANUARY 1985</u> Presentation of comprehensive tax reform suggestions to GOJ. Assist GOJ with "White Paper" preparation.
<u>MARCH 1985</u> Presentation of tax reform suggestions to Parliament.	<u>JUNE 1985</u> Customs advisor departs.	<u>JANUARY 1986</u> Project Implementation and personnel training oriented to specific tax reforms, initiated.	
<u>JUNE 1986</u> Income tax and tax policy advisors depart. In-service training of Revenue Board employees end.			

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ANNEX IV

PASSAGE OF BILL THROUGH JAMAICAN PARLIAMENT

1. All Money Bills are initiated in Jamaica by the House of Representatives.
2. The Cabinet then exercises a collective decision to pass a particular bill.
3. After the collective decision by Cabinet is taken, drafting instructions are given to the office of Parliamentary Counsel.
4. The Parliamentary Counsel's office produces a draft copy of the proposed bill which is sent to the legislation committee - a body of the Cabinet.
5. After examination of the bill by the legislation committee, the draft bill is sent back to the full cabinet for it to be laid on the table of the House of Representatives. This is the first reading of the Bill.
6. A reasonable time (usually 1 month) should be allowed for the examination of the bill by the House.
7. A second reading of the Bill now takes place which is undertaken by the full Cabinet.
8. If the bill is a technical one, a select Committee of technical persons is appointed by the Cabinet to examine important measures, make recommendations etc.
9. The amended bill is now sent to the Parliamentary Counsel for drafting in final form.
10. The Bill is then passed by the full House of Representatives. The House of Representatives may, however, approve the whole bill, a part of a bill or sections of the bill as it sees fit.
11. That bit of legislation approved by the House is sent to the Governor General who signifies his assent in writing to it and it now becomes law. (An Act of Parliament).
12. After the assent of the Governor General is obtained, the fact of the passage of this Act is now disseminated to the general public by means of the Gazette, an official Government of Jamaica publication.

LEGISLATIVE FLOWCHART FOR PASSAGE OF REVENUE BILL

