

PO-PAU-287
SN-47073

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

JAMAICA

PROJECT PAPER

REVENUE BOARD ASSISTANCE
(Amendment #1)

AID/LAC/P-303 &
P-142

Loan Number: 532-U-023
Project Number: 532-0095

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number
1

DOCUMENT CODE
3

2. COUNTRY/ENTITY

JAMAICA

3. PROJECT NUMBER

532-0095

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

REVENUE BOARD ASSISTANCE

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
1 | 2 | 3 | 1 | 8 | 9

7. ESTIMATED DATE OF OBLIGATION
(Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 83

B. Quarter 3

C. Final FY 88

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY <u>83</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1500)	(-)	(1500)	(10522)	(-)	(10522)
(Loan)	(-)	(-)	(-)	(6000)	(-)	(6000)
Other U.S.	1. 1500	(-)	(1500)	(4522)	(-)	(4522)
2.						
Host Country		240	240			
Other Donor(s)					5401	5401
TOTALS	1500	240	1740	3000	5401	3500
				14022	19423	

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EHR	650	720	710		2622	1500		1500	2622
(2) EHR	660		720		1900	3000		3000	1900
(3) SDA	730					1500		1500	
(4)									
TOTALS					4522	6000		6000	4522

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To provide technical assistance to the Government of Jamaica in its effort to:
a) redesign Jamaica's tax structure along lines that fit the Government's objective of achieving stable economic growth through a private sector led, export oriented, development program; b) improve the administration of the tax system; and c) implement the systems developed in (a) and (b) above.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY

Final MM YY
0 | 1 | 8 | 9

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 5A page PP Amendment)

Mission Controller has reviewed and concurs with the methods of implementation and financing included herein.

Robert Leonard
Robert Leonard, Controller

17. APPROVED BY

Signature

WILLIAM R. JOSLIN

Title

DIRECTOR, USAID/JAMAICA

Date Signed

MM DD YY
1 | 7 | 2 | 1 | 8 | 6

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY
0 | 8 | 2 | 0 | 8 | 6

AUTHORIZATION

AMENDMENT NO. 2

Name of Country: Jamaica
Project Name: Board of Revenue Assistance
Project Number: 532-0095

1. Pursuant to Sections 105 of the Foreign Assistance Act of 1961, as amended, the Board of Revenue Assistance Project for Jamaica was authorized on May 13, 1983. The authorization was amended on September 28, 1984. That authorization is further amended in Section 1 as follows:

Pursuant to Section 105 and Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Board of Revenue Assistance Project for Jamaica, involving planned L.O.P. obligations of not to exceed Four Million, Five Hundred and Twenty Two Thousand United States Dollars (\$4,522,000) in loan funds and Six Million United States Dollars (\$6,000,000) in grant funds through December 31, 1989, subject to the availability of funds in accordance with the AID/OYB allotment process, to help in financing foreign exchange and local currency costs for the Project. The Project Assistance Completion Date (PACD) is December 31, 1989.

2. Section 2 is hereby amended to read as follows:

The Project consists of assistance to the Government of Jamaica in its efforts to: (a) redesign Jamaica's tax structure along lines that fit the Government's objective of achieving stable economic growth through a private sector led, export oriented, development program; (b) improve the administration of the tax system; and (c) implement the systems developed in (a) and (b) above.

The Project will facilitate implementation of a reformed tax system, which will be a key component of Jamaica's structural adjustment program. The project will: (a) implement the new tax structure through computerization of the income tax assessment functions, (b) provide related training and assistance in improving tax administration; and (c) monitor, evaluate and adjust the reformed tax structure and its impact on the economy while continuing policy reform efforts to integrate the reformed tax structure fully into the structural adjustment program.

3. The authorization cited above remains in force except as hereby amended.



William R. Joslin
Mission Director
USAID/Jamaica

Date: 7/25/86

Clearances:

OPDS:PLerner PL
OPEP:SSkogstad SS
OPEP:MMcLindon MM
OEEE:CMathews CM
OPED:DMackell DM
CONT:RLeonard RL
RLA: TCarter TC
DDIR:JSchlotthauer JS

Drafted:OPDS:DDarby DD

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List of Acronyms

BOR	Board of Revenue
DHS	Deloitte, Haskins and Sells
EEC	European Economic Community
EDP	Electronic Data Processing
FACT	Finance and Accounting College of Training
GCT	General Consumption Tax
GOJ	Government of Jamaica
IRM	Information Resources Management
MEACR	Monitoring, Evaluation, Adjustment, and Continuing Reform
PACD	Project Assistance Completion Date

5. Summary and Recommendations.

5.1. Summary Description of the Project Extension. The project extension will continue the work to date to effect the full, efficient implementation of a reformed tax system, which is a key component of Jamaica's structural adjustment program. The principal features of the new tax system are (a) essentially flat rates with few exemptions and exceptions; (b) lower marginal average rates; (c) encouragement of saving, production and exports relative to consumption and imports; and (d) unambiguous simplicity. The project extension will concentrate on implementing the new tax structure via simplification of assessment functions, fine tuning the operational system and strengthening training and administration. A key component of the implementation effort will involve monitoring, evaluating and adjusting the reformed tax structure and its impact on the economy while continuing policy reform efforts to integrate the reformed tax structure fully into the structural adjustment program.

By the time the project is completed on December 31, 1989, the GOJ should have a modern tax system that is fully consistent with growth oriented, export-oriented development and that can be maintained with little outside technical assistance.

5.2. Recommendations

It is recommended that:

1. The Board of Revenue Assistance Project be extended as described in this document.

2. \$1 million be authorized in FY 1986.

3. A new PAFD of December 31, 1989 be authorized.

5.3. Project Background and Description

5.3.1. Background

In 1981 USAID developed the Revenue Board Assistance Project to provide technical assistance to help the Government of Jamaica (GOJ) reform its tax system to make it consistent with the requirements of a more nearly market directed economy, efficient allocation of resources and stable economic growth. Working through the newly created Revenue Board, this technical assistance project has had two components--tax policy and tax administration--conducted in two overlapping phases--design and implementation.

With the legislative enactment of the personal income tax reforms and property tax reforms in February, and the scheduled legislative enactments of the general consumption tax in October 1986 and corporate income taxes in January 1987, the design of the new tax structure will be substantially complete and implementation and administration assistance will have been carried out up to the point at which the new system is installed and ready to run.

In summary, the project to date has included tax policy reforms, implementation of the reforms, and basic training in the administration of the new system. In this extension, the overall project objective remains to design and implement a Jamaican tax system that supports the Government's economic recovery program, that encourages an export oriented, market based recovery and growth, and that will generate the revenue required to finance the GOJ budget.

B. Project Description

This project, in conjunction with other on-going and planned projects, is expected to contribute significantly towards a larger goal of assisting Jamaica in reaching a path to sustainable stable growth of employment, production and income.

1. The Project as Implemented to Date

Syracuse University has been the prime technical assistance contractor under the project, and has provided the required advisors, analysts and staff.

The design of the project to date called for two major activities:

(a) Tax Policy. Structural studies that would analyze the data and issues and point the way to viable tax reform options.

(b) Tax Administration. Basic administrative improvements that could be implemented prior to the full structural reform or as the reform proceeded, and training and the establishment of a training capability.

Tax Policy. On June 6, 1985, the GOJ issued a "Green Paper" that contained the GOJ's tentative proposals for comprehensive tax reform. The reform proposals were guided by four principles:

-- Neutrality. The tax structure should interfere as little as possible with the responsiveness of the economy to market forces.

- Equity. The old tax system was not very equitable in practice because high and steeply graduated rate structures of the individual income tax encouraged evasion, avoidance and the creation of legal loopholes.
- Buoyancy. Tax revenue should grow with real GDP growth, but at a lower rate so that the share of GDP represented by public sector activities declines.
- Simplicity. The tax system should be susceptible to efficient administration within the constraints of administrative capabilities, and should be easily understood by taxpayers.

The analytical work of the Syracuse team and the review by a high level Tax Reform Committee, appointed by the Prime Minister, laid the basis for the following GOJ decisions:

- Legislative enactment in February 1986 of the personal income tax reforms, which introduced a flat rate tax of 33 1/3 percent and an exemption level of J\$8,580 (US\$1,560 at US\$ 1 = J\$ 5.5).
- Legislative enactment of new property tax reforms in February 1986.
- Plans for a new general consumption tax (GCT) which will replace myriad indirect taxes in October 1986, and a reformed corporation income tax in January 1987.

Tax Administration. The GOJ organization for tax administration was changed with the coming into operation of the Revenue Administration Act on September 1, 1985. The Act created five new departments under the aegis of the Board of Revenue:

- Income Tax Department
- Inland Revenue
- Customs and Excise
- Stamp Duties
- Land Valuation

The new arrangements under the Revenue Administration Act are intended to:

- a) Rationalize the functions of assessment and collection through organizational adjustments;
- b) Improve service to the public through simplification of existing procedures, forms and records, and computerization of the revenue collection system;

- c) Improve existing physical facilities;
- d) Promote efficiency throughout the Revenue Service by improving the management and control functions of the Department;
- e) Provide more meaningful career development opportunities for employees;

The project, to date, has made important contributions in the areas of administration. Through the prime contractor, the Customs Administration Advisor has concentrated on replacing obsolescent procedures, training, and assistance in the establishment of a suitable structure for the new Customs and Excise Department. The indirect tax advisor has made progress in preparing for the introduction of the GCT. Assistance has been provided in developing a master training program for the Revenue Board. A training center was established and is being furnished with modern training equipment. Training courses have included accounting, auditing techniques, customs and excise officers valuation, and various revenue laws.

The project is also expected to realize additional accomplishments in the areas of training and administration during the remainder of 1986. Under the GCT component of the project, basic training will be provided to about 30 indirect tax inspectors. A vigorous training program and overhaul of income tax administration procedures is underway. In addition, the Project already has begun assisting the Income Tax Department in the preparation of a master taxpayer roll. These activities will be well underway by the end of calendar year 1986.

The outstanding efforts of the GOJ to date warrant the authorization of substantial additional resources to see the efforts at design and initial implementation of the new tax system through to a fully operational state.

2. Proposed Extension Activities

While the accomplishments of the project to date are notable, much remains to be done. If the project were to end now, it is not likely that the GOJ could push forward the full implementation of the structural reform and the administration plan. Senior GOJ staff are competent and dedicated but too few in number and overburdened with responsibilities. Moreover, implementation of a new tax policy requires major input from the designers of that policy to assure that compromises between conceptual design and practical implementation are made in a manner that is consistent with the broader structural adjustment of the economy as a whole.

The project objectives will not have been accomplished until a modern and efficient tax system is fully in place and until the various elements of the new tax structure have been harmonized with general economic objectives.

In particular, the extension will help to ensure the sustainability of the new tax structure by computerizing the Jamaican income tax assessment system and by strengthening and deepening the administration and training efforts. Tax policy analysis will be targeted on "debugging" the present reform structure while striving for the sophisticated integration of the new tax system into the overall structural adjustment program.

The basic rationale for AID assistance for the project extension lies in the observation that the most cleverly and efficiently designed tax system and carefully drafted tax statutes are only as effective as their administration. The present interest of the Government of Jamaica in improving its administrative capabilities as part of a major tax reform effort reflects the understanding that a revitalization of tax policy must be accompanied by improvements in the effectiveness and efficiency of the tax administration.

(i) Computerization.

The present administrative system is mostly a manual operation which is incapable of generating information necessary to monitor the efficiency of tax collections and assessments. The Board of Revenue has identified the modernization of the new tax structure via computerization of the assessment and collection functions as its first priority for the project extension.

The main overall objectives of the revenue service automation effort are as follows:

- To improve the identification of taxpayers and to reduce avoidance and evasion on the part of the hard-to-tax sectors. This can be done by creating a Master List of taxpayers and assigning a unique taxpayer ID number.
- To automate record keeping, tax calculations and billing for all taxes.
- To increase the tax base through computer-assisted assessment. This can be done for income tax, by detecting, through third party information, people currently not paying or underpaying. Similar use of third party information can be made with respect to GCT, import taxes and company tax. Property valuation can also be improved through computer assisted mass appraisal.

- To improve the quality and quantity of information on the amounts assessed and collected as the basis for projections of cash flow in the consolidated fund. The availability of a computerized profile of taxpayers will allow the Revenue Board to evaluate relatively quickly and easily the effects of changing policies on revenue collection.
- To develop an evolutionary system so as to respond to the need for changes which can be foreseen in the areas of tax policy and administration.

The Revenue Services Automation Plan. The Board of Revenue requested financial assistance from the EEC in 1981 for the purpose of computerizing its tax system. The EEC has provided a grant of 3.26 million ECUs (about US\$2.5 million) for computer hardware and technical assistance. The EEC then commissioned a functional design and a system requirements specification study. The conclusions reached and recommendations made in the studies form the basis for the Revenue Services Automation Plan. However, it became clear that the resources required to make the plan operational far exceeded the funds provided by the EEC. Thus, the Board of Revenue approached USAID for additional funds to implement a portion of the overall Revenue Services Automation Plan.

In order to implement its automation plan, the Board of Revenue created Fiscal Services Limited as its wholly owned subsidiary. For the purpose of planning and controlling, the Revenue Services Automation Plan has been organized for implementation in four phases, namely:

- Phase 1: computerization of the collection system, Inland Revenue Department;
- Phase 2: computerization of the collection and assessment system, Customs and Excise Department;
- Phase 3: computerization of the assessment system, Income Tax Department;
- Phase 4: computerization of the assessment system, Land Valuation Department.

The Board divides its approach to automation into collection (Phase 1) and assessment activities (Phases 3 and 4.) In addition, for administrative convenience, an additional category (Phase 2) is used involving all activities associated with customs and excise duties and the GCT. The February 1986 Preliminary Proposal submitted to USAID by the Revenue Board divides computerization of Revenue Services into these components.

Collection System. The Collection System constitutes Phase I of the automation plan. Included in this system are:

- Discharge of all tax liabilities except those associated with Customs.
- Functions associated with the Pay As You Earn (PAYE) system of income and other tax withholding for employees.
- Functions associated with penalties.
- Creation and maintenance of a taxpayer master file and summary level taxpayer accounts receivable file.
- Calculation of property tax amounts, and handling of all adjustments thereto.

The collection system includes an electronic data processing (EDP) environment. With EEC assistance, a computer center has been built. Computer hardware has been acquired consisting of two Digital Equipment Corporation (DEC) Vax 11/785 mainframe computers and associated peripherals. Software development will begin shortly when an EEC funded contract is awarded for it.

Assessment System. The assessment system comprises Phases III and IV of the Revenue Services Automation Plan. It is not currently funded; this PP Supplement proposes that USAID/Jamaica fund Phase III. This would entail the procurement of additional mainframe computers, software development and training.

Normally, assessment is associated with the creation of tax liabilities and includes compliance functions such as tax audit. Under the planned revenue services automation, most of the taxes are assessed and collected at the same time. The two major exceptions are property tax and income tax. In the case of property tax, the actual function of creating the liability has been assumed by the collection system (see below). Income tax is therefore the focus of the assessment component of proposed tax administration system. Functions included in the area of income tax assessment are:

Recording and data entry of income tax returns.

Initial processing and automated classification of returns. Classification refers to the process of screening returns to identify items which exceed certain thresholds and therefore are flagged for manual examination.

-- Services for audit and research, including:

Audit management: tracking of individual cases.

Statistical selection of returns for audit and additional examination.

Third party matching to assist in identifying possible tax liabilities. For example, this may include matching against vehicle registrations, for example, or comparing levels of commercial activity with levels of tax payments.

Modeling and other automated tools for research.

-- Processing of income tax refunds.

-- Correspondence management.

-- Objections and appeals management.

Customs and Excise System. The Customs and Excise System representing Phase II of the Revenue Services Automation Plan, will facilitate the imposition and collection of all forms of import duties and domestic excise taxes on certain commodities such as petroleum products. This phase is currently partially funded by the World Bank. Hardware and software requirements for this part of the project have not yet been identified. Also associated with the Customs and Excise System is a new Generalized Consumption Tax, or GCT. This system is currently undergoing experimental implementation through the present AID project, on the DEC MicroVAX equipment procured by the prime contractor (Syracuse University).

Evaluation of the Automation Plan by DHS. The two computer and tax administration experts from Deloitte, Haskins, and Sells (DHS) funded by USAID concluded that the Revenue Services Automation Plan was a valid and viable one. They specifically concluded that:

-- The underlying EEC-funded studies appear to be both practical and academically sound.

-- The division of the project into collection, assessment, and customs subsystems is a reasonable approach to organize the implementation of the project. Some functions seem to have been assigned arbitrarily to one or another subsystem. For example calculation of property tax liability, a function usually considered as belonging to assessment, is being handled within the collection subsystem. This is not a major problem, assuming coordination among donors, contractors, and GOJ officials.

- The work done so far on the collection system appears to be properly directed and of good quality.
- The computer center appears to be of good design and construction.
- The DEC hardware was fairly selected and represents a good choice. The configuration chosen appears adequate to the task at hand, and allows for future growth.
- The Computer Center organizational structure is sound and the staff is very competent.

Review by M/SER/IRM of AID/W. Working in close contact with USAID/Jamaica and DHS, IRM reviewed the DHS's evaluation of the Board of Revenue's automation plan. IRM made the following conclusions and recommendations:

- From a technical point of view, the stated ADP objectives, methodology and recommendations seem fair and reasonable.
- The cost estimates submitted by DHS seem reasonable, with the exception of a few assumptions.
- Software development is the project objective with the highest risk. The project should obtain a person with considerable expertise to monitor the installation and test the system.
- Strong emphasis will have to be placed on coordinating with the other donors' technical support staff who are developing the collection systems, since that data will have to be shared by both systems.

AID's project contribution to the Board's automation plan. The DHS consultants concluded that the best opportunity for providing meaningful assistance to the automation plan would lie in focusing on the assessment system. As noted above, this system is a key part of Jamaica's tax administration program, but is not yet funded. The income tax component (personal and corporate) is by far the most important in overall revenue collections. The development of the assessment component of income taxes would be an important complement to the collection system which the EEC is currently developing.

To this end USAID will provide, in conjunction with the Board of Revenue, funding for hardware, software development, EDP training and the construction of an additional computer building. To assist in the implementation of this component of the project, it is proposed to fund the services of an EDP

advisor for 24 person months. This advisor, reporting through the Project Director, would work with the Managing Director of Fiscal Services Limited. The duties of the EDP advisor would include assisting in the identification and selection of consultants for carrying out software tasks, and participating in the preparation of software specifications, the evaluation and selection of software packages, and the planning and control of systems development and implementation.

The EDP advisor will also make important contributions to the Project's work in tax administration. Accordingly, he will work closely with the General Consumption Tax Advisor, and will have a background in both the tax administration and EDP sides.

IRM's concern about coordination among the donors and their contractors is a point well taken and one of the duties of the EDP consultant will be to ensure that this coordination takes place. The complementarity between the EEC funded collection system and the AID funded assessment system raises several important concerns. The EEC contract for software development has not yet been awarded. In awarding the contract, it is essential that the selection of a data base, the software language, and systems design be among those in widespread use in both Europe and the United States, in order to ensure compatibility with the software developed by a U.S. firm. The Board of Revenue's computer experts are keenly aware of this concern and will monitor software development closely.

Nonetheless, the fact that the overall automation effort has been divided into different modules to be funded by different donor institutions, raises the more important issue of ensuring coordination so that the overall project is a success. To address this problem, the project staff, as indicated above, will include an EDP advisor who will serve on the Revenue Board's Committee. His/her recommendation will be required for all project expenditures in this area.

A tentative budget for the computerization component is presented below. A precise estimate will not be possible until the software development plan and the comprehensive training plan are completed. Once more precise estimates of the cost for software computerization are developed, it is anticipated that additional funding may be incrementally approved for this project component.

Budget for Computerization

	(US\$)		
	<u>USAID</u>	<u>GOJ</u>	<u>TOTAL</u>
- Hardware	600,000	1,000,000	1,600,000
- Software	1,040,000	960,000	2,000,000
- Building	1,000,000		1,000,000
TOTAL	2,640,000	1,960,000	4,600,000

(ii) Training.

Overall training needs under the project may be summarized as follows:

<u>Type of Training</u>	<u>Number of Persons</u>	<u>Person Months</u>
Local Short Term	1,628	650
Local Long Term	90	810
Overseas Short Term	35	50
Overseas Long Term	2	48

The training component of the Project extension focuses on two basic areas: (1) meeting the ongoing training needs in the operating departments, and (2) the development of the revenue agent plan described below.

(1) Ongoing Training Needs. The most immediate of the Board of Revenue's ongoing needs is to enable the staff of assessors and collectors to administer the major taxes. There is a very important need to train sales tax inspectors to implement the GCT. In addition, there is a substantial backlog of training to be done with respect to income tax assessment and collections. A survey of short term local training needs is summarized in the following list of numbers of persons to be trained and area of training required.

<u>Training Required</u>	<u>Number of Persons</u>
Revenue Laws	314
Collection Procedures	160
Report Writing	316
Public Relations	397
Auditing	121
Fundamentals of Accounting	80
Advanced Accounting	49
Cashiering and Ledger Keeping	18
Commercial Practices	43
Computer Auditing	5
First-line Manager	40
Mid-Management	22
Senior Management	13
Valuation Methods and Practice	50
Total	<u>1,628</u>

The majority of this training will be for a duration of a few days. Rarely will the training extend beyond several weeks. The total number of training days is estimated at 19,685, or an average of about 12 days per person.

The assessment of short term overseas training needs may be described as follows:

<u>Training Required</u>	<u>Number of Persons</u>
Senior Executive Training	6
Division Manager's Intax Training	14
Specialized Management Training	10
Computer Audit Specialists	5
Total	<u>35</u>

In addition, two persons will receive long term training in tax policy at the graduate level at Syracuse University.

(2) Development of the Revenue Agent. The Board of Revenue's "Revenue Agent" plan involves the recruitment, training, and retention of qualified people to implement the new tax structure, in concert with the advent of modern computer capabilities to do high-speed calculation and analysis of data. The development of the Revenue Agent plan constitutes the project's long-term local training.

The revenue agents will specialize in one of the major tax areas. The revenue agent, however, would be able to provide a "one call does it all" service to taxpayer and be able to investigate the full realm of tax responsibility of each taxpayer with which he or she would come in contact. The

revenue agent would be able to handle all delinquency, compliance and information checks now assigned piecemeal to different personnel from the various tax departments.

They will be trained in fundamental skills needed to handle the basic taxpayer requirements. Due to the competence and skills level required, the revenue agent series would be on a high professional pay scale. The Board of Revenue plans to establish five grades of Revenue Agents, i.e. RA I through RA V. This classification under the Revenue Agent series, will provide an orderly progression of jobs each of which will require training experiences targeted to the specific skills, knowledge and abilities required to perform the stated duties and responsibilities. The Revenue Board will collaborate with the Ministry of Public Service to ensure that the revenue agent grades and program is formally approved in conjunction with the development of the Project's training plan.

USAID's project contribution to training. In conjunction with the development of an overall training plan for the three year extension period, USAID will provide funding for the first year of this program, with the GOJ to provide funding in the remaining two years. Subject to favorable assessments of the progress made by the training program, AID may review the possibility of incrementally approving additional funding after the first year, particularly if serious GOJ budgetary constraints threaten to prevent the training being done.

In order to ensure timely and efficient implementation, AID's contribution will include the funding of the services of a Training Advisor who, reporting to the Syracuse Project Manager, will work closely with the Board to develop a comprehensive training plan and schedule covering the entire project extension period.

To date, the Revenue Board has been responsible for local training and has utilized the services of the Finance and Accounting College of Training (FACT). The feasibility and possibility, in the light of AID procurement regulations, of continuing to use FACT during the AID funded portion of the project extension will be addressed by the comprehensive training plan. The Training Advisor, working closely with the Revenue Board, will be responsible for procuring the services of all subcontractors as necessary in accordance with AID regulations. The Training Advisor will assist in developing the curriculum, preparing the teaching materials, and providing any necessary training of the local training officers. In addition, the Project will take on the responsibility of preparing materials for dissemination to participants. AID, through its prime contractor, Syracuse University, will also provide funding for overseas training.

The Training Advisor will also serve on a Training Committee for the Development of the Revenue Agent Program to be established as a part of the project extension. The responsibilities of this committee will be to establish education or experience qualifications for the program, prepare the curriculum, participate in monitoring the choice of instructors and the progress of the participants.

The following is an indication of the training budget for the first year of the project extension:

TRAINING BUDGET FOR YEAR I

	(\$US)
<u>Advisor:</u>	60,000
<u>General Training*</u>	
Supervisory, Management and Executive Training	20,000
Training in Administration and Analysis	30,000
Specialty and Technical Training Courses	30,000
Clerical Training	10,000
Orientation Training for New Employees	2,500
Local Travel & Subsistence	5,000
Overseas Participant Training	188,500
Accessories, replacements, material, etc.	4,000
Revenue Agent Training - Existing staff	<u>39,000</u>
Sub-Total	329,000

Revenue Agent Program**

tuition Fees - Lecturers and Fieldwork Supervisors	21,800
Residence, Manuals, etc.	6,300
Travel Costs	6,900
Living Expenses	109,110
Course Administration	43,400
Contingencies	<u>5,490</u>
SUB TOTAL	195,000
TOTAL	585,000

*includes short term local, short term overseas and long term overseas training.

**includes long-term local training.

TECHNICAL ASSISTANCE FOR TAX ADMINISTRATION.

In addition to the RDP and Training Advisors who will work on the processing two project components, a General Consumption Tax (GCT) Advisor will continue to assist in installing administrative procedures that are more efficient and that conform to the new tax structure, and to ensure that staff are adequately trained for their tasks.

A new organization is being established within the Customs and Excise Department to administer the General Consumption Tax. This will necessitate substantial training since the background of Customs and Excise personnel is in physical control. They do not have training or experience in accounting or auditing.

The Consumption Tax Division will have complete jurisdiction over registration, interpretation, taxpayer service and education, compliance, audit, assessment, and appeals of tax assessments. Close coordination will be necessary with the Customs Division for the collection of tax at importation, and with the Income Tax Department for the coordination of income tax audits and exchange of information. The centering of responsibility for the sales tax in one division will provide for an effective administration of the sales tax. This will enable an orientation toward accounts rather than physical control over few selected commodities such as alcoholic beverages, tobacco products and motor fuels.

The objective of this component will be to complete the design of the GCT administration:

- Create a taxpayer master file, i.e. a data bank of all persons required to register as taxable persons under the GCT.
- Provide comprehensive, accurate and timely technical information to taxpayers.
- Develop return forms and payment of tax due by taxpayers.
- Establish effective audit functions.
- Develop a system for objections and appeals.

The full implementation of the GCT will require two person years of a technical assistance advisor. The task of the technical assistance advisor to be funded by AID will be:

- 1) To maintain continuous surveillance over the master file, systems developed, to institute control over compliance, develop a taxpayer assistance and education program and to ascertain needs for modifications and upgrading of systems and training of staff.
- 2) To expand the scope of the tasks undertaken in the pre-implementation stage in respect to providing comprehensive, accurate and timely technical information to taxpayers and to keep the technical staff fully informed.
- 3) To undertake a thorough review of the Excise Duty Act, develop necessary modifications, develop new procedures for controlling, assessing and collecting excise duty, prepare an operational manual and develop a training course to upgrade the technical knowledge of the personnel.
- 4) To develop and implement an effective audit function.
- 5) To provide continuing technical advice on the development and implementation of the audit service, compliance function, the taxpayer assistance and education program and the upgrading of the technical knowledge of staff.
- 6) To develop and implement the necessary administration, and control systems in respect to assessments, objection to assessments and technical support for the defence of appeals in the Revenue Court.

- 7) To develop and assist in the implementation of a computerized management information system.
- 8) To monitor on a continuing basis the implementation of the GCT.
- 9) To provide support to the EDP specialists in the development of specifications, test data and to generally act as an expert advisor on the requirements of the system and its management.

USAID, through its prime contractor, will provide 24 months of technical assistance of a GCT Advisor at a cost of approximately \$325,000.

(iv) Monitoring, Evaluating and Adjusting the New System and Continuing Reform.

There is a need to continue to work on the tax structure, both to "debug" it as implementation proceeds as well as to integrate it fully into the structural adjustment program to maximize incentives for economic development and to minimize inequities. The purpose is to provide a rigorous conceptual framework to consolidate, defend, and, where viable, extend the reform efforts such that the new tax system is fully consonant with the GOJ's structural adjustment program and with the commitment of AID's funds towards that end.

The activities of monitoring, evaluating and adjusting the new tax system during the extension are extremely important. It is essential to understand the impacts of the reform program in order to adjust it to deal with its shortcomings and to capitalize on other opportunities which present themselves. Much will be learned about the actual operation of the new system during the first years of its operation. At the same time, it is necessary to continue policy reforms on the tax structure.

The key elements of this component of the project extension are presented in Appendix A. During the project extension, USAID will provide, through its prime contractor, the short term technical assistance of tax experts under the direction of the Syracuse Project Manager to address the issues outlined in Appendix A. The following budget for this component of the project extension was arrived at by estimating, in consultation with the Board of Revenue, the number of person months needed to monitor, evaluate and adjust the new system and to continue to design desirable reforms. The cost of each person month is estimated at \$12,000.

BUDGET FOR MEACR*

<u>ITEM</u>	<u>PERSON MONTHS</u>	<u>COST</u>
1. Personal Income Tax	21	252,000
2. Company Tax	15	180,000
3. GCT	15	108,000
4. Property Taxation	9	108,000
5. Payroll Taxation	9	108,000
6. Financial Institutions and Pensions	9	108,000
7. Policy Coordination	6	72,000
8. Special Issues	6	36,000
9. Miscellaneous	-	<u>45,000</u>
TOTAL	90	<u>1,125,000</u>

*Monitoring, Evaluation, Adjustment and Continuing Reform

III. Implementation and Financing

A. Present Situation

The administrative and management responsibilities of the project are divided among GOJ officials attached to the Board of Revenue, Syracuse University, and AID.

The Revenue Board has primary responsibility for managing the implementation of this project. The Chairman of the Revenue Board serves as the GOJ's Project Director. He has the final approval on behalf of the Government of Jamaica for all decisions to implement or refrain from implementing program recommendations.

Syracuse University is the prime technical assistance contractor. Professor Roy Bahl of Syracuse University serves as Project Manager of the technical assistance team who report to him, as contracted for under this project.

The Syracuse team works directly with Board of Revenue personnel in the performance of the team's duties, and serves in an advisory or consultative capacity. Professor Bahl, in consultation with the Chairman of the Board of Revenue, is accountable to AID for ensuring that project inputs are applied

in an orderly and timely manner. All Syracuse technical assistance personnel report directly to Professor Bahl or indirectly to him through the Resident Advisor. Professor Bahl reports directly to the Chairman of the Revenue Board. Professor Bahl directs the selection and assignment of tasks to team members and is responsible for supervision and evaluation of their performance. The Syracuse team is responsible for carrying out the analyses and providing the required reports. Syracuse also works with the Board to design and implement the training program. In addition, Syracuse has undertaken to handle limited commodity procurement.

From the point of view of project management, this implementation arrangement is highly streamlined and efficient. In addition to the high quality of their outputs, Syracuse has demonstrated a facility with contract management that makes relatively minimal demands on AID staff resources.

B. Proposed Implementation Arrangements under the Project Extension.

During the project extension, Syracuse will continue in its role as prime contractor with overall responsibility for implementation of the project elements including training, procedural assistance for tax administration, monitoring, evaluation and adjustment of the tax reforms enacted or scheduled for enactment, continuing policy reforms as needed, and software development.

As prime contractor, Syracuse will continue to have a dual role, serving both as supplier of services for the project and as manager of the project. In the latter role, it will be the responsibility of Syracuse to certify to AID that the activities and commodities described in the Project Paper Supplement, the Project Agreement and its amendments, and other related project documentation, are undertaken and provided as described in these documents, unless otherwise agreed to in writing. Such certification is required in support of disbursements by AID to reimburse the cost of these activities and commodities.

Disbursements in payment for a specific activity or commodity in support of the training or software development components, inter alia, require certification by Syracuse that those activities or commodities are as described in the relevant project document, and conform to the project purpose. In the case of training, the comprehensive training plan will be the key document. In the case of software development, the software specifications which Syracuse will develop for subcontracting will be the key document.

To assure that the training plan and activities and the software design activities are consistent with the project purpose and design, the resident Syracuse project team will include a member with expertise in training and one with expertise in computerization who will be designated training advisor and EDP advisor respectively. These specialists will serve as members of the Board of Revenue coordinating committees in those areas. In these roles they will receive instructions for project operations and will provide information to the committees on the relationship to the project design of actions under consideration.

The director of the Syracuse team, Professor Bahl, will have overall responsibility for monitoring and managing implementation of the project for which Syracuse is the prime contractor. He reports to his GOJ counterpart, the Chairman of the Board of Revenue, and is accountable to AID for matching project expenditures with activities and commodities according to the project design.

AID will procure Syracuse's services for the project extension through an extension to the Direct AID Contract between Syracuse University and AID/Jamaica. A non-competitive waiver to negotiate directly with Syracuse University to perform these project extension activities has been signed by the AA/LAC and is attached as Appendix B.

The resident advisors and short term consultants will work out of the existing project office which houses the project advisors. The Revenue Board will provide funding for all costs associated with the project office. To this end, the Revenue Board will secure a three year extension of the lease for the project office at its present location.

As noted above, from the point of view of project management, the present implementation arrangement with Syracuse University is highly streamlined and efficient. In the summary budgets that follow in Section III, an estimate of the cost of project management is based on the figures in the present Syracuse contract, and is consistent with the present rate of expenditure for this line item.

BUDGET FOR PROJECT
MANAGEMENT AT SYRACUSE UNIVERSITY
(US\$)

<u>ITEM</u>	<u>COST</u>
1. Project Director (50% 8.5 months, 100% 3.5 months)	275,000
2. Admin. Assistant	60,000
3. Data Analysts	60,000
4. Budget Officer	12,000
5 Secretaries (2)	125,000
6 Graduate Assistant (2)	50,000
7. Librarian	7,000
8. Clerical Assistants	13,000
9. Travel	25,000
10. Equipment	15,000
11. Publications	20,000
12. Supplies, Duplication, Telephone, etc.	77,475
13. Overhead (57.5 % of direct costs)	<u>360,525</u>
TOTAL	1,100,000

In addition to the project management provided at the Syracuse campus, Syracuse has provided the services of a Resident Advisor who supervises the team of resident advisors and reports to Professor Bahl. To date, Mr. George Whitehouse, in addition to overseeing the training effort and providing advice on income tax matters, has also acted as the Resident Advisor. In the project extension, Mr. Whitehouse will continue to function as the Resident Advisor, in addition to his duties as the Training Advisor. For budgetary purposes, one-half of his salary is attributed to the Resident Advisor, and the remaining half is included in the training component of the extension.

As noted in an earlier section, computer and tax administration experts from Deloitte, Haskins and Sells reviewed the Board of Revenue's automation plan and its proposal to AID for financial assistance to implement the plan. The experts concluded that the Board's plan was a valid and viable one, and identified the income tax assessment component of the plan as a viable area for AID assistance. Recommended items for AID funding for the income tax assessment component included DEC hardware computer equipment, software development, and an additional building to house the computer. The implementation strategy for these project components is as follows:

(1) Hardware. The general requirements specifications for mainframes have already been drawn up as a part of the EEC funded grant and would involve minor modification for contracting for AID funding. IRM, in reviewing the DHS consultants' report, advocated sole sourcing from DEC. A sole source waiver has been approved by the AID/J Non-Competitive Review Board and is attached as Appendix C. (The source and origin of the equipment is the United States). A cable has been sent for IRM's approval of a specific DEC hardware configuration. IRM has been advised of this pending procurement, and they have indicated their tentative concurrence and that approval will be prompt. Once IRM's approval has been obtained, host country contracting will be used for this purchase. AID will issue a direct letter of commitment for the purchase.

Under the present implementation plan, the hardware is scheduled to arrive before the new computer building, which will ultimately house it, is constructed. The Board of Revenue plans to temporarily accommodate the hardware in the existing computer building, where it could be used to accelerate the pace of software development. The Revenue Board is currently assessing the environmental requirements of such a configuration. DEC has indicated its willingness to undertake both the temporary installation of the equipment and its relocation to the permanent facilities of the new building when construction is completed.

(2) Software. As noted above, software development is a part of the Syracuse contract. This approach offers several advantages. First, work on the software development can begin fairly soon. An EDP Advisor with the suitable skills and experience will join the project team to manage the writing of the specifications for the software and the subcontracting for the actual software development. Second, and more importantly, the fact that software development will be a part of the Syracuse contract will go a long way to insuring that the vital linkages between the policy and administrative reforms, on the one hand, and the software design and operation, on the other, are made. It should be

noted that the budgetary provision for software is at the lower end of the range of the cost estimate for software development made by DHS. It is conceivable that once the specifications for the software are made, incremental approval of additional funding might be desirable. In all of its anticipated subcontracting, and especially for software development, Syracuse will be encouraged to utilize Gray Amendment firms to the maximum extent possible.

3) Training. Computer training needs will be identified and included as parts of the hardware and software contracts.

4) Building. The construction of the second computer building will follow standard AID procedures in accordance with Handbook 11, Chapters 1 and 2. Allowing for time to meet both AID and GOJ procedures, it is anticipated that the building will be completed in August 1987.

5) Maintenance. While maintenance is a Board of Revenue responsibility, it is nonetheless an important consideration for project implementation. Under the EEC grant, funds are available for maintenance on the two DEC mainframes for the first year of operation. In the following four years, the Board of Revenue will be able to pay for maintenance in local currency. DEC in Puerto Rico, the nearest DEC dealer to Jamaica, has subcontracted with a Jamaican firm, Island Microsystems, to provide maintenance on the two DEC mainframes. As part of its existing procurement agreement with DEC, the Board of Revenue has an inventory of 97 percent of its spare parts needs (worth approximately US\$ 300,000) capable of supporting up to seven similar mainframe systems. In the short term, the Board of Revenue will pay for any maintenance needs for the three additional AID financed DEC mainframes. Over the next 12-18 months, it plans to develop--as a part of the training provided by DEC under the proposed, AID financed, procurement arrangement--its own in house capabilities for most of its maintenance needs. This development of local maintenance capabilities, with backup as necessary from DEC-Puerto Rico, should help to ensure that maintenance for the computers does not become a serious operational problem in future years.

C. Implementation Schedule

<u>Activity</u>	<u>Date Completed</u>
Loan/Grant ProAg Amendment Signed	21 July 1986
Syracuse Contract:	
PIO/T Signed	25 July
Contract Signed	15 August
Syracuse Activities:	
-- <u>Software</u>	
Define Functional Areas	15 October 1986
Prioritize Automation Opportunities	1 November
Complete Functional Requirements	1 May 1987
Complete General Design	1 June
Complete Detail Design	1 December 1987
Develop Programs	1 December 1988
Conduct Tests	1 February 1989
Acceptance Testing	1 March
Integrate Training with Software Development	1 March
-- <u>Training</u>	
Comprehensive Training Plan Developed	15 August 1986
Modalities for Local Training Completed	1 September
Local Training for 550 People, Overseas Training for 9, Revenue Agent Training for Existing Staff for 60, Revenue Agent Training for New Staff for 40.	1 September 1987
Local Training for 550 People, Overseas Training for 14, Revenue Agent Training for Existing Staff for 60, Revenue Agent Training for New Staff for 40.	1 September 1988

Local Training for 528 People, Overseas
Training for 12, Revenue Agent Training for
Existing Staff for 60, Revenue Agent Training
for New Staff for 40. 1 September 89

Computer Building

Prepare RFTP for A/E Contract 25 July 1986

Advertise for A/E Work 25 July

Prepare contract for the final
design and supervision of construction
services. 25 July

USAID clearance of RFTP, distribute to
A/E firms 1 August

Receipt and evaluation of proposals 15 August

BOR negotiates A/E contract 25 August

Submittal of award recommendation
to USAID for approval in evaluation
memorandum 30 August

A/E prepared IFB for construction
contract 1 November

USAID approves IFB for construction
contract 15 November

A/E receives and evaluates bids and makes
recommendation for award prior to award 15 December

BOR submits to USAID for approval bid
evaluation and recommendation for
award prior to award. 15 December

Submit to GOJ cabinet; contract approved 1 February 1987

Award of contract to the bidder with
the most advantageous offer, price and
other factors considered. 10 February

Building constructed 1 August

Computer Hardware.

DEC Sole Source Waiver Approved	13 June 1986
Obtain IRM's approval for Hardware	20 July
Negotiate Host Country contract for Hardware with DEC	15 August
Hardware arrives	15 October

D. SUMMARY BUDGETS

SUMMARY BUDGET BY INPUT
(IN U.S.\$)

<u>ITEM</u>	<u>LOAN FUNDS</u>		<u>GRANT FUNDS</u>	
	<u>US</u>	<u>GOJ</u>	<u>US</u>	<u>GOJ</u>
Long Term T.A.	1,174,947	362,455	1,186,888	940,454
Short Term T.A.	762,000	260,672	769,744	929,546
Fringe Benefits	270,237	-	272,983	-
Travel/Transportation	321,394	260,672	324,661	-
Allowances	345,863	250,346	407,608	-
Equipment	302,639	101,587	600,000	1,000,000
Publications	27,200	-	27,452	-
Other Direct Costs	197,561	-	210,072	260,000
Indirect Costs	1,120,159	-	1,191,099	461,360
Construction	-	-	1,000,000	-
Contingency	-	<u>360,418</u>	<u>9,493</u>	<u>213,640</u>
TOTAL	<u>4,522,000</u>	<u>1,596,150</u>	<u>6,000,000</u>	<u>3,805,000</u>

PROJECT BUDGET: BY OUTPUT
(In U.S.\$)

<u>Component</u>	<u>Project to Date</u>		<u>Project Extension</u>	
	<u>USAID</u> (Loan Funds)	<u>GOJ</u>	<u>USAID</u> (Grant Funds)	<u>GOJ</u>
1. Project Mgmt.	1,014,106	27,983	1,100,000	-
2. Income Taxes	382,358	30,647	-	-
3. Indirect Taxes	348,074	79,036	-	-
4. Industrial Policy	81,183	19,822	-	-
5. Wealth & Housing	252,503	32,311	-	-
6. Bauxite & Alumina	12,540	11,659	-	-
7. Special Projects	354,765	145,628	-	-
8. Resident Advisor	456,446	40,158	225,000	-
9. Income Tax Advisor	279,946	68,466	-	-
10. Customs Advisor	247,443	50,159	-	-
11. Kingston Office	83,202	565,199	-	525,000
12. Training*	506,640	375,847	585,000	990,000
13. Sales Tax	333,700	-	325,000	-
14. MEACR**	-	-	1,125,000	100,000
15. Hardware	-	-	600,000	1,000,000
16. Software***	-	-	1,040,000	960,000
17. Construction	-	-	1,000,000	-
18. <u>Miscellaneous</u>	<u>169,095</u>	<u>149,235</u>	<u>-</u>	<u>230,000</u>
<u>TOTAL</u>	<u>4,522,000</u>	<u>1,596,150</u>	<u>6,000,000</u>	<u>3,805,000</u>

* Includes Training Advisor

** Monitoring, Evaluating, Adjusting, and Continuing Reform

*** Includes EDP Advisor

PROJECT EXTENSION PLANNED EXPENDITURES BY FISCAL YEAR
 -Grant Funds-
 (US \$000)

ACTIVITY	FY 86		FY 87		FY 88		FY 89		FY 90		TOTAL	
	USAID	GOJ	USAID	GOJ	USAID	GOJ	USAID	GOJ	USAID	GOJ	USAID	GOJ
<u>Computerization</u>												
- Hardware	-	1,000	600	-	-	-	-	-	-	-	600	1,000
- Software	-	-	600	320	440	320	-	320	-	-	1040	960
- Building	-	-	1000	-	-	-	-	-	-	-	1000	-
<u>Training</u>	-	-	585	-	-	495	-	495	-	-	585	990
<u>Procedural Assistance</u>	-	-	150	-	150	-	25	-	-	-	325	-
<u>Resident Advisor</u>	-	-	100	-	100	-	25	-	-	-	225	-
<u>MEACR</u>	-	-	400	50	400	25	325	25	-	-	1125	100
<u>Kingston Office</u>	-	-	-	150	-	150	-	150	-	75	-	525
<u>Project Management</u>	-	-	350	-	350	-	350	-	50	-	1100	-
<u>Miscellaneous</u>	-	-	-	70	-	60	-	50	-	50	-	230
TOTAL	-	1,000	3,785	590	1,440	1,050	725	1,040	50	125	6,000	3,805

**BUDGET BY AID CONTROLLER'S ELEMENTS
(US\$)**

<u>ELEMENT</u>	<u>LOAN FUNDS</u>	<u>GRANT FUNDS</u>
1. Technical Assistance	4,331,033	-
2. Training	8,866	-
3. Commodities	34,101	-
4. Contingency	<u>148,000</u>	-
SUB-TOTAL	4,522,000	-
5. T.A.-MEACR*	-	1,125,000
6. T.A.-GCT Advisor	-	325,000
7. T.A.-Resident Advisor	-	225,000
8. Training	-	585,000
9. Software	-	1,040,000
10. Hardware	-	600,000
11. Construction	-	1,000,000
12. Project Management	-	<u>1,100,000</u>
SUB-TOTAL		6,000,000

*Monitoring, Evaluation, Adjustment and Continuing Reform

GOJ Contribution*
(US\$)

<u>Component</u>	<u>Cash-Outlay</u>	<u>In-Kind</u>	<u>Total</u>
Training	840,000	150,000	990,000
MEACR*	-	100,000	100,000
Hardware	-	1,000,000	1,000,000
Software	- 785,000	175,000	960,000
Kingston Office	525,000	-	525,000
Miscellaneous	-	230,000	230,000
TOTAL	2,150,000	1,655,000	3,805,000

*A more detailed budget breakdown is given in Appendix D.

E. Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u> (US\$000)
Technical Assistance AID Direct Contract	Direct pay	2,775
Training AID Direct Contract	Direct pay	585
Computer Equipment Host Country Contract	Direct L/Comm	600
Computer Software AID Direct Contract	Direct pay	1,040
Construction	Advance/Reimbursement	1,000
Total Budget		6,000

The methods of implementation and financing comply with the preferred methods except the proposed use of a direct letter of commitment for the procurement of computer equipment. The use of a direct letter of commitment is justified in this case as the equipment will be purchased from the U.S. and the GOJ does not have access to adequate foreign exchange to facilitate this procurement.

Because it is expected to be necessary to advance funds to the Board of Revenue for the purpose of constructing the building to house the computer equipment, they will be required to have a separate local account in which to deposit the advances. The location and number of the account will be requested by AID/Jamaica prior to funds being advanced. Either the Ministry of Finance will provide written confirmation that the Board of Revenue will be able to disburse the full amount of funds without delay or assurances from Finance will be received prior to the advance being approved. The latter case will probably take the form of an advance warrant for the full amount of the requested advance.

Because of the more active implementation role of the Board of Revenue under this amendment, a review of the Board's accounting practices and contracting and commodity procurement procedures is required. This review will be carried out by AID personnel prior to the first advance.

IV. Evaluations, Monitoring Plans, Conditions Precedent and Covenants

Evaluations. An evaluation is planned for January 1989 to verify that project objectives have been met.

Monitoring Plans. Monitoring will be performed by a Mission Project Committee, whose members will have the following responsibilities:

- (1) The Project Officer, reporting through the Senior Economic Advisor, will be responsible for the primary administrative monitoring. The Project Officer will maintain liaison with the Revenue Board, coordinate necessary Mission Project backstopping, and prepare and present quarterly progress reports to the AID mission.
- (2) The AID Controller will review all disbursement requests for conformity with A.I.D. regulations, and will ensure that adequate financial control methods are followed by the Revenue Board.
- (3) The AID Contracting Officer will review all Host Country contracts generated under the project for conformity with A.I.D. regulations.
- (4) Quarterly progress reports, and audits, financial and other reports will be required of the Revenue Board.

No conditions precedent are anticipated under the project extension.

APPENDIX A

(iv). Monitoring, Evaluation, and Adjustment and Continuing Reform.

The Impact of a Flat Tax. The Jamaican tax reform changes a personal income tax with a top marginal rate of 57 1/2 percent to a flat tax of 33 1/3 percent. It also eliminates numerous credits in favor of a standard deduction of J\$ 8580, and brings a large amount of non-taxable perquisites into the system. The questions one may raise about the flat tax is the extent to which it protects revenue yield, reduces the income elasticity of the tax yield, promotes or retards horizontal and vertical equity among taxpayers, and whether it significantly affects work effort and savings.

So far, the project has been working with random samples of Jamaican taxpayers who filed returns. During the extension, it is proposed to develop a longitudinal sample based on this information and to track the taxpaying response to the flat tax over the extension period.

Taxation and Savings. A low savings rate has been a major problem with Jamaica economic development for many years. The government is somewhat concerned in the context of the new tax package as to whether savings will be promoted. A number of factors are at work. The flat rate income tax will provide a greater incentive for investment on the part of higher income taxpayers. The lower corporate income tax rate would have the same effect. On the other hand, interest income from savings deposits will now be taxed and put on the same basis as the return from investments in other financial institutions. Moreover, it remains to be determined how the contribution rates will be set on the compulsory savings plans which the government runs through its payroll tax system. The question at hand is how does the full package of tax reforms affect savings, and what adjustments if any will be necessary to reach GOJ targets.

Company Tax Impacts. A major objective of the tax reform is to promote investment and employment generation by Jamaican and foreign companies. The company tax, personal income tax, and GCT all affect the prospects for increased economic activity. It is necessary to determine how existing companies have reacted to the tax reform, and to determine the reaction of potential new investors. During the project a rather large sample of Jamaican companies was drawn and their financial statements analyzed. During the extension, it is proposed to continue work on this sample.

Among the questions to be addressed in this analysis are the effects of tax policy on dividend payouts, the amount of foreign versus domestic investment, employment generation, the balance between imports and exports, and the comparative tax burden relative to those in competitor nations. With respect to the treatment of interest income, some research is required. With interest receipts now subject to tax and dividends effectively taxed only once, the tax reform will have gone a long way toward equalizing the tax burden on different sources of company finance.

The Incidence and Equity of Tax Reform. A common criticism of value-added taxes is that they are regressive. It is important to attempt an analysis of the equity effects of this tax reform in Jamaica. Initial results suggest that the movement to the flat tax and the GCT will probably improve the fairness of the Jamaican tax system. It looks as though the system will be horizontally more equitable, and likely that the vertical equity will not be harmed. This assumption will be tested by monitoring the incidence effects of the reformed tax system during the extension period.

The Taxation of Financial Institutions. During the project, an analysis of the taxation of financial institutions recommended a uniformity in the treatment of commercial banks, life insurance companies, building societies, credit unions and superannuation funds. This would be a substantial change from the present system, which provides differential treatment for virtually all financial institutions. The government has not yet reached a decision on this set of proposals, and it is not likely to do so before the end of the calendar year. It is clear that more work will need to be done in this area during the extension.

It will be necessary to understand better the role of financial institutions in promoting savings. Who saves and via what financial institutions? For example, concern for the "small" saver has led to tax preferences for building societies. Do they, in fact, service the small saver? Or again, Superannuation Funds, last studied in 1979 and then only sketchily, have grown rapidly since, and will continue to do so for many years. What do superannuation funds invest in?

GCT Impacts. The general consumption tax could be implemented by October 1986. The first year of experience with the tax will be in 1987, and it is anticipated that it will have important impacts on the Jamaican economy. Among these are changes in the relative prices of many types of consumer and producer goods, changes in the distribution of the indirect tax burden by type of commodity, and effects on the real purchasing power of low-income families. In addition, it is alleged that the GCT will lead to a reduction in the leakages at the import

stage, thereby increasing revenues and improving the fairness of the indirect tax system. It is proposed to measure and analyze these impacts. In particular, it is crucial to ensure that data collected as part of GCT administration are designed to produce in an accessible form the critical information on taxes by commodity that is needed for much of this analysis. This will permit the project extension to avoid the time-consuming indirect methods of estimation used in the project thus far.

The introduction of a broad-based uniform-rate VAT in Jamaica, while not without precedent in developing countries, also requires careful monitoring and evaluation both to ensure that the new structure is adapted as necessary to changing economic conditions and to determine the success of the extension of the tax base to encompass part of the wholesale sector.

More work will remain to be done on the tax structure during the extension period. The following are the more important areas requiring reform.

Personal Income Tax Reform. The first phase of the project designed a flat rate income tax with a standard deduction. However, the absence of adequate data on income tax returns, tax evasion and tax avoidance made it impossible to give a precise estimate of the degree to which the tax base could be expanded. Hence, it is not certain that "revenue neutral" rate has been arrived at. There will be a need for income tax analysis after the first two years of experience with the flat rate and the standard deduction. Moreover, as taxpayers find loopholes in the new code, it will be necessary to review the legislation and close unintended avenues of escape. Finally, continued analysis of the income tax may point the way to a further rate reduction after 1986, and perhaps to provisions for indexing the standard deduction. In order to do this work, it will be necessary to continue developing samples of taxpayer files and to analyze the revenue consequences of alternative structural reforms.

Company Tax Reform. By the end of the present project, the proposed company tax reform should be in place. The rate and base structure will have been designated, the relation between company and personal tax will have been established, and the tax treatment of capital outlay recovery, inventories, group return, loss carryovers, etc., will have been decided. Still there will be much more to learn about how to structure the company tax to Jamaica's best advantage.

The project structure could help the Revenue Board develop an annual volume of statistics of income similar to the publication of the IRS in the United States and it will also

develop a set of tax analysis data tapes that would provide the basis for judging the effectiveness of the implementation of the tax reform, as well as the areas where further legislation and administration efforts are required.

Together the income tax analysis tape, the property valuation tape, and computerized transfer tax records would permit a fundamental attack on the problem of evasion which remains the crucial weakness of Jamaica's tax structure. With a set of tax analysis tapes prepared, a number of company tax problems could be addressed. High on the list is an in-depth study of capital outlays, and a comparison of economic and tax depreciation will be an essential part of this work.

As the company tax reform is implemented, it will be necessary to identify developing loopholes and to design policies to combat them, a project that requires the co-operation of auditors and tax policy analysts.

It will be important also to analyze the response of foreign companies and their governments to the new tax structure. And if, as anticipated, foreign investment will increase in Jamaica, additional work will have to be done in the international tax area, covering such topics as a possible tax on branch profits (to bring their tax treatment closer to that of subsidiaries) and the institution of a "thin capitalization" rule to limit the deductability of remittances to the parent company.

The Revenue Board thinks it urgent to carry out a study of the effects of tax legislation, current and proposed, on Jamaica as a regional financial center. The GOJ is currently interested in this as an economic development objective. More than tax legislation is involved, of course, but tax considerations are primary factors.

Another area requiring further analysis is the proper treatment of exchanges of plant and equipment. Exchanges of land and buildings are subject to transfer tax which to a degree operates as a tax on capital gains. Exchanges of plant and equipment are subject at most to balancing charges which bear little relation to the capital gain or loss experienced by the seller. Starting with this problem we are led to study more generally, whether Jamaica should tax capital gains, and if so how.

Payroll Taxation. Jamaica has an extensive system of payroll taxes. Some of these are forced savings plans, some are for long term protection, and some are nothing more than earmarked taxes. The project has made progress in understanding the flaws in these taxes, and recommendations have been made to integrate their administration. On the other hand, the GOJ is concerned about the possible impact of these changes on savings,

and the details of the administrative combining of these systems is yet to be worked out.

Since the payroll taxes are tied to the income tax base, the introduction of a broader-based, flat rate personal income tax has important implications for payroll taxation. Yet, actuarial studies are out of date, the payroll tax sections are not computerized in respect of data, and administration is haphazard. After the first year's experience with the new income tax, it is clear that a major program of payroll tax reform will be required. The project extension will undertake a comprehensive analysis of payroll taxation, with an eye to finding ways to reduce the overall drain that it places on private sector wages and salaries.

Property Taxation. The project to date has led the government to bring in the new valuation roll, simplify the tax rate structure, and retain the land value tax base. The new valuation roll will be phased in over a three-year period by which time the statutory rate structure will be restored to its 1985 level. The main problem now is that there still is not an adequate provision for reassessment that will allow property tax revenues to keep pace with increasing property values. Unless such a program is put in place, the inequities of the existing property tax system will reappear, and the advantages of the structural reform will have been lost. An important research program during the extension, therefore, is to find a way to make the property tax base responsive to changing property values. The preliminary work on the possibilities of a computerized mass assessment program were promising, and it is proposed to continue that work during the extension.

There are other facets of property taxation that need attention. One is in the area of the property transfer tax, which provides the basic source of information for all property assessment. The tax is badly administered, as noted above, but properly administered could well impose undue burdens on certain taxpayers. Moreover the 7.5 percent tax rate provides a considerable incentive to understate the sales price. The rate and base structure of this tax, and the possibilities of capital gains taxation on land, need to be examined.

In addition, a promising possibility is to charge beneficiaries for public services by a set of user-charges in lieu of property taxes on improvements. While the project has taken the position that the taxation of investment in structures is not in the best interest of economic development or efficient land use, it might be appropriate to charge certain office buildings and apartment houses the marginal cost of providing public services to the building and their occupants. It is proposed to develop a structure of user-charges to serve this purpose.

Pensions and Superannuation Funds. Most retirement funds in Jamaica are tied to the payment of wages and salaries. Under the present income tax system, any compensation received in the form of fringe benefits does not contribute to the retirement fund and does not increase the basis for calculating retirement benefits. With the new, flat rate system, the base of the income tax has been broadened. This means that contributions by taxpayers will rise, but promised benefits will also increase. The result will be an automatic underfunding of a number of systems and a period of adjustment will be required. Until some experience is gained with the new income tax, it will be difficult to sort out the proper tax treatment of pensions and superannuation funds. Such a study, including an analysis of the position of the self employed, who presently cannot set up tax-relieved pensions, will be undertaken.

Indirect Taxation. The major tax reform needed in the indirect tax area, the introduction of a uniform general consumption tax (GCT), should be in place by the end of the current PACD. Much remains to be done in this area, however. For example, although proposals for revision of the remaining indirect taxes such as those on tobacco, alcohol, fuel and various services--which in total are much more important as revenue producers than the GCT--were made as part of the project to date, more detailed recommendations for reform in these areas need to be developed. The most important problem concerns the taxation of petroleum. Petroleum taxation is obviously a sensitive political issue, but it is essential to get away from the present system in which the fixed retail price makes revenues from this source depend inversely on exchange rate changes, thus requiring periodic "shock" adjustments in prices to restore revenues. The present drop in oil prices provides a welcome opportunity to rationalize the taxation of petroleum in such a way as to both encourage the conservation of foreign exchange and to bolster government revenues from this basically progressive source.

Another area of concern with respect to indirect taxes has to do with the impact and future development of the GCT, particularly in the context of the changing trade policy and incentive regime. Indirect taxes that fall mainly on manufactured goods may constitute as important an element in shaping Jamaica's industrial development as the tariff system or the fiscal incentive program. It is thus essential to assess with care the interactions between the revised indirect tax system and, for example, any changes in the stamp duty on imports or in the tariff schedule itself. For the same reason, the possible extension over time of the indirect tax base to encompass more of the distributive and service sectors, along the lines set out in broad terms in the project to date, is a matter that requires further attention.

APPENDIX B

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

JUN 16 1986

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Terrence J. Brown *T.B.*

SUBJECT: Waiver of Competition - Jamaica Board of Revenue
Assistance Project 532-0095

Proposed Action: To approve non-competitive negotiation with Syracuse University for continued provision of technical assistance to the Jamaica Board of Revenue Assistance Project.

Background: The Board of Revenue Assistance Project began in June 1983 to assist the Government of Jamaica in reforming the structure and administration of its tax system. The Government's objectives were to restructure the system, so that it would be more supportive of private sector investment and employment generation, more equitable in its distribution of burdens, and less complex and hence more easily and fairly administered. This continues to be a critical component of the current Government's structural adjustment program, which has the full support of the USG, and is a primary objective of the Foreign Assistance Program.

Like the Jamaican economy in general, the tax reform effort is at a crossroads. With technical assistance provided under the project, the GOJ has taken the following actions to improve its tax system: legislative enactment of the personal income tax and property tax reforms, and planned enactment of a new general consumption tax and reformed corporation income tax by January, 1987. The Mission is preparing a PP supplement to authorize financing for a sustained effort to follow up on the tax reform legislation and initial implementation efforts in order to fully realize the overall objectives of the project, which is a vital component of the US Foreign Assistance Program in Jamaica. This \$6 million project extension will concentrate on implementing the new tax structure via computerization of the income tax assessment functions and by deepening and strengthening the overall training and administration efforts over a three year period. An important part of the project extension activities will involve monitoring, evaluating and adjusting the reformed tax structure and its impact on the economy. By the time the extended project is completed in January 1990, the GOJ should have a modern tax system that is fully consistent with its development strategy and that can be sustained with little outside technical assistance.

Justification for Waiver: As part of the initial authorization for the Jamaica Board of Revenue Assistance Project, a waiver was granted to permit non-competitive direct contract negotiation with Syracuse University to provide the required technical assistance. In this situation, the Mission was faced with the need to field a highly technical TA team with enough lead time to provide a meaningful input to the tax reform legislation being developed for submission to Parliament in March, 1984. Syracuse University had already demonstrated its familiarity with Jamaica's tax system and had the capacity to assemble the requisite team of tax experts on short notice. The justification for the waiver, in accordance with the then applicable A.I.D. procurement regulations, was that "procurement from any other source would impair foreign assistance objectives and be inconsistent with fulfillment of the foreign assistance program"

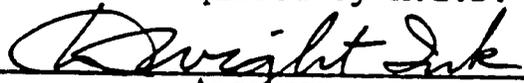
The grounds for a non-competitive waiver for the follow-on contract services under the project amendment are compelling. Syracuse University has accomplished the initial objectives related to design, formulation and recommendation of specific tax reforms. The Syracuse team is thoroughly familiar with all aspects of the project. It has established a highly effective, efficient and professional working relationship with the Board of Revenue and is ideally suited to provide the follow-on services which are so necessary to the achievement of project objectives.

The effective implementation of the project to date is largely attributable to the effectiveness of the Syracuse team in working with their GOJ counterparts and the uncommonly strong mutual respect that has developed among them. Further effective implementation of the radically changed tax system requires that the implementers be thoroughly familiar with project design and implementation to date, and with the broader economic objectives the new system was designed to promote. It is possible that another contractor could offer those qualifications. However, the need for effectiveness, efficiency and continuity in the extension of this project through the implementation stage dictate that the Syracuse team continue as the contractors. To do otherwise would impede the GOJ's ability to meet the objectives of the structural adjustment program and seriously undermine the USG's support of this program, which is a primary objective of the foreign assistance program.

In addition to the expertise that Syracuse University has delivered during its three years on the design and early implementation of the project, and its proven track record, any delays in implementing the project extension, such as those

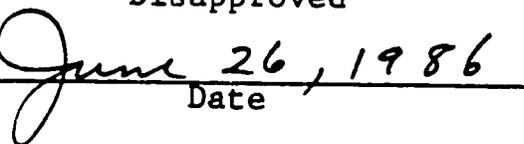
that would be expected in the normal competitive procurement process, would seriously impair the chances of GOJ's continued success in effecting a substantial and comprehensive reform of its tax structure. Current project funding will expire in December 1986, and demobilization of the current contract team would occur - in the absence of a continuing contract - even earlier. In accordance with the A.I.D. Acquisition Regulation (AIDAR) (subpart 706.302.70; Improvement of Foreign Aid Programs), the requirement for competition in awarding a contract may be waived and non-competitive negotiation authorized when the Assistant Administrator makes a formal written determination that procurement from any other source would impair foreign assistance objectives and would be inconsistent with the fulfillment of the foreign assistance program.

Recommendation: That you approve non-competitive negotiation with Syracuse University in an amount up to \$6 million for their continued provision of technical assistance services to the Jamaica Board of Revenue Assistance Project and in doing so, determine that procurement from any other source would impair foreign assistance objectives and would be inconsistent with the fulfillment of the foreign assistance program. In accordance with AIDAR subpart 705.202, your determination will carry with it a determination to waive the related publicizing procedures for this procurement otherwise required by A.I.D.



Approve

Disapproved



Date

APPENDIX C

WAIVER NO. 532-0095-86-21

ACTION MEMORANDUM FOR THE NON-COMPETITIVE REVIEW BOARD

TO: William R. Joslin, Director and Chairman
Julius Schlotthauer, DDIR
Samuel Skogstad, OPEP
Edward Kadunc, OPDS
Charles Mathews, OEHR
Robert Leonard, CONT

FROM: Michael P. McLindon, OPEP

SUBJ: Waiver of Procurement Regulations on Sole Source Relative to the Purchase of Computer Hardware from the Digital Equipment Corporation (DEC) for the Board of Revenue Assistance Project.

DATE: June 9, 1986

- a) Cooperating Country: Jamaica
- b) Project : Board of Revenue Assistance Project (532-0095).
- c) Description of Procurement : DEC VAX 11/785 mainframe computers and associated peripherals for the income tax assessment system as part of the Board of Revenue's automation plan.
- d) Probable Origin : U.S.A.
- e) Probable Source : U.S.A.
- f) Approximate Value : US\$600,000

Synopsis

Handbook 11, Chapter 3, Section 2.2.6 permits competition in the procurement of commodities to be waived and authorizes negotiation with a single source if, per Section 2.2.6.a.2, proprietary procurement is justified (per Section 2.2.5) and the necessary equipment, materials or spare parts are available from only one source taking into account any special requirements such as the need for in country service capability.

Handbook 11, Chapter 3, Section 2.2.5 permits proprietary procurement in cases where: (1) substantial benefits, such as economies in maintenance of spare parts inventories, stronger local dealer organization, better repair facilities, or greater familiarity by operating personnel, can be achieved through standardization with a particular brand; (2) compatibility with equipment on hand is required; or (3) special design or characteristics are required.

The committee finds that the criteria for proprietary procurement of DEC equipment apply, and, this prerequisite having been established, the criterion for sole source procurement of computer hardware from the DEC also applies.

Background

From the beginning of the effort at reform of Jamaica's tax system, the Board of Revenue has counted upon funding from the European Economic Community (EEC) to computerize its tax system. The Board of Revenue requested financial assistance from the EEC in 1981, and in a report completed in June 1982, the EEC concluded that computerization could bring substantial improvements to tax administration in Jamaica, and provided a grant of 3.26 million ECU's (about US\$2.5 million at that time) for computer hardware and technical assistance for the Board of Revenue. The EEC then commissioned a functional design and a system requirements specification study. Specifications for the system were developed by UK consultants in preparing a master plan for computerization of the revenue services. While the conclusions reached and recommendations made in the studies funded by the EEC studies form the basis for the Revenue Services Automation Plan, it has now become clear that the resources required to make the plan operational far exceed the funds provided by the EEC.

The EEC's contribution has gone towards Phase I--the computerization of the collection system of the Inland Revenue Department--of the four phase automation plan. Computer hardware has been acquired consisting of two DEC Vax 11/785 mainframe computers and associated peripherals. Software development will begin shortly when the EEC funded contract is awarded for it. The World Bank is providing initial funding for Phase II of the automation plan, i.e. the Customs and Excise Department. Phase III, i.e. the computerization of the assessment system for the Income Tax Department, has been targeted for USAID's funding as a part of the Board of Revenue Assistance Project extension. Funding for Phase IV, i.e. the computerization of the assessment system of the Land Valuation Department, has not been identified thus far.

The case for proprietary procurement. The strongest argument for the proprietary procurement of DEC equipment as a part of the extension being developed for USAID's Board of Revenue Assistance Project is for compatibility with equipment on hand. The functional

design study report, prepared by the EDP experts of a computer sciences company commissioned by the EEC, recommended that the computer system architecture most suitable for computerizing the collection and assessment functions of the revenue departments be made up of four computer systems using processors of the same make and product range. The architecture the experts recommended would allow the revenue board cost savings options in terms of: phased development of the systems; support and operation of the system; maintenance of the systems; continuity of operation; and networking the systems.

Based upon the criteria established in the subsequent system requirement specifications, an evaluation study was carried out to select the most suitable computer architecture. DEC's computer architecture and technology were selected based upon the EDP experts' analysis of the technical and cost saving advantages offered by DEC equipment, especially in the following areas:

--Total Software Compatibility. Software developed on any of the DEC VAX series of processors will run on any other VAX processor from the smallest to the largest.

--Operating System. The VAX/VMS operating system offers standardized features on all VAX processors regardless of size and processing power. These features allow significant cost savings in terms of: communication and networking options; software compatibility and transportability; migration and growth options; standardization of operational procedures; and standardization of required skills.

--Standardization. Standardization of the system architecture around DEC equipment would allow for further cost saving options in terms of: procurement strategies; hardware/software support; resource management; spare parts and maintenance; and staff development and deployment strategies.

Accepting the above recommendations, the Revenue Board proceeded to procure a DEC computer hardware configuration consisting of two VAX 11/785 processors for the Inland Revenue collection system, with a view to procuring similar processors configured appropriately for the customs and excise collection and assessment system and the income tax and land valuation assessment systems.

Thus, the strategy for developing the computer system architecture was predicated upon the fact that the processors be made up of the same make and product range, which after further analysis turned out to be DEC equipment. As things turned out, EEC funding was not available to complete the computer system architecture. Clearly, however, compatibility of the equipment to be funded by USAID with the equipment on hand is required,

especially since the collection and assessment functions are required to be interactive. This requirement therefore meets justification criterion of Section 2.2.5.b.2 of Handbook 11, Chapter 3, for proprietary procurement.

Proprietary procurement from DEC can also be justified on the grounds of the substantial benefits that can be achieved through standardizing on a particular brand (section 2.2.5.b.1). As indicated above, substantial benefits through standardizing were a part of the rationale underlying the use of processors of the same make and product range, and for the selection of DEC equipment. The substantial benefits through standardization which underpinned the overall procurement strategy for the Revenue Services Automation plan contribute to the argument for compatibility with equipment on hand (see above); in addition, they are a compelling justification in and of themselves for proprietary procurement from DEC. The procurement agreement with DEC included the supply of 97 percent of spare parts (worth approximately US\$300,000) capable of supporting up to seven similar mainframe systems, hardware and software support services and comprehensive training for local personnel. The agreement required DEC to maintain the spare parts inventory for five years at no additional cost to the Revenue Board. Further agreements have subsequently been worked out with DEC whereby the Revenue Board has been assigned the status of a most preferred customer. This classification also guarantees the Revenue Board significant discount opportunities, and the establishment of special training arrangements which are to be done primarily in Jamaica at shared cost with the objective that DEC will transfer to the Revenue Board all the knowledge required to be self sufficient in terms of supporting and operating any DEC equipment and software facility made available to the Revenue Board. The agreement also put in place, in the short term, access to overseas expertise for dealing with emergencies either by telephone or site visit with minimal notice.

Not using DEC equipment to complete the hardware system would require large additional expenditures to maintain a separate spare parts inventories. It would also require a completely different training program for the Board of Revenue personnel. Using DEC equipment, on the other hand, would result in substantial benefits in the form of economies in the maintenance of spare parts inventories and greater familiarity by operating personnel. These factors, therefore, also justify proprietary procurement, per section 2.2.5.b.1 of Handbook 11, Chapter 3.

The Case for Sole Source Procurement.

Per section 2.2.6.a.2, competition in the procurement of commodities may be waived and negotiation with a single source authorized when proprietary procurement is justified and the necessary equipment, materials, or spare parts are available from only one source taking into account any special requirements such as the need for in-country service capability.

The DEC international corporate structure is divided into three general areas: the US, Europe, and a General International Area. The latter is in turn divided into five regions, including a General International Region, which is further divided into four divisions including Puerto Rico and the Caribbean Basin. DEC Puerto Rico is responsible for sales and service within the Caribbean area, including Jamaica. It is through DEC that the Board of Revenue would receive the status of most preferred customer. Its special training arrangements would be organized in the form of a Value Added Reseller (VAR) out of DEC Puerto Rico. Maintenance for the existing DEC VAX 11/785's has also been organized from DEC Puerto Rico, which has subcontracted with a Jamaican firm, to provide maintenance under the general supervision of DEC Puerto Rico. Thus, based upon sales and services responsibilities as organized under the DEC international corporate structure and the special requirements for in-country service capability in the areas of training and maintenance, sole source procurement of hardware from DEC is required.

AID/IRM's Review

IRM has worked in close coordination with USAID/J and Deloitte, Haskins and Sells, who conducted a feasibility study of the Board of Revenue's proposal to USAID for assistance in implementing its plan to automate its tax system. IRM concluded that from a technical point of view, the stated ADP objectives, methodology and recommendations seemed fair and reasonable. In a section especially relevant to this waiver, they argued that:

In general, IRM recommends full and open competition for ADP commodities. However, since the computer to be acquired complements an existing machine architecture, a strong argument can be made for requiring 100 percent compatibility with the existing machine and operating system (VAX 11/875 and VAX/VMS). This is especially true in light of the intended backup function envisioned for the machines. It would most certainly be detrimental to project objective, from both a data resource management and staffing point of view to introduce a different architecture. This is one of the few cases where sole sourcing is usually viewed as justifiable. (State 143625, May 7, 1986)

Recommendation:

The Mission Director has been delegated authority by virtue of Section II.E. of Redlegation of Authority I dated October 21, 1985 to approve a waiver of competition and a single source negotiated borrower/grantee contract provided that the estimated procurement does not exceed US\$1 million, and that the Non-Competitive Review Board finds the waiver justified. It is therefore recommended that you approve the issuance of a waiver of competition (proprietary

procurement) and a single source waiver to allow the Board of Revenue to purchase hardware equipment from DEC described above with funds provided by the Board of Revenue Assistance project at an estimated cost of US\$600,000.

	<u>Approved</u>	<u>Disapproved</u>	<u>Date</u>
Samuel Skogstad	<u><i>SS</i></u>	_____	<u>6/9/86</u>
Edward Kadunc	<u><i>EK</i></u>	_____	<u>6/9/86</u>
Robert Leonard	<u><i>RL</i></u>	_____	<u>6/11/86</u>
Charles Mathews	<u><i>CM</i></u>	_____	<u>13 June 86</u>
Julius Schlotthauer	<u><i>JS</i></u>	_____	<u>14 June 1986</u>
William R. Joslin	<u><i>WJ</i></u>	_____	
cc. OCM: GRender			
RIA: Theodore Carter	<u><i>TC</i></u>	_____	<u>17 June 86</u>

APPENDIX D

RE GOVERNMENT OF JAMAICA'S CONTRIBUTION

<u>Particulars</u>	<u>Estimates 1986/87</u>	<u>Estimates 1987/88</u>	<u>Estimates 1988/89</u>	<u>Total Estimates 1986/87 to 1988/89</u>	<u>Remarks</u>
(1) Equipment: Computer Hardware Equipment (including software)	6,100,000	-	-	6,100,000	Hardware - 4,900,000 Software - 1,200,000
(2) Personal Emoluments	930,000	2,020,000	2,222,000	5,172,000	Please see details attached in respect of staffing. It is expected that the Centre will be fully staffed for 1987/88. A 10% increase is added for year 3.
(3) Office Equipment including Office Furniture	250,000	50,000	50,000	350,000	
(4) Office Supplies such as Stationery including Computer Consumables	200,000	250,000	250,000	700,000	
(5) Public Utility Services (Water, Electricity and Telephone)	230,000	250,000	250,000	730,000	
(6) Maintenance of Building and Equipment (Routine)	100,000	150,000	200,000	450,000	
(7) Maintenance and Servicing of Computer Hardware	-	800,000	-	800,000	*This is in respect of maintenance agreement signed with De La Rue General Services Ltd. who supplied the main hardware (\$100,000 - converted @ \$8 to £1).

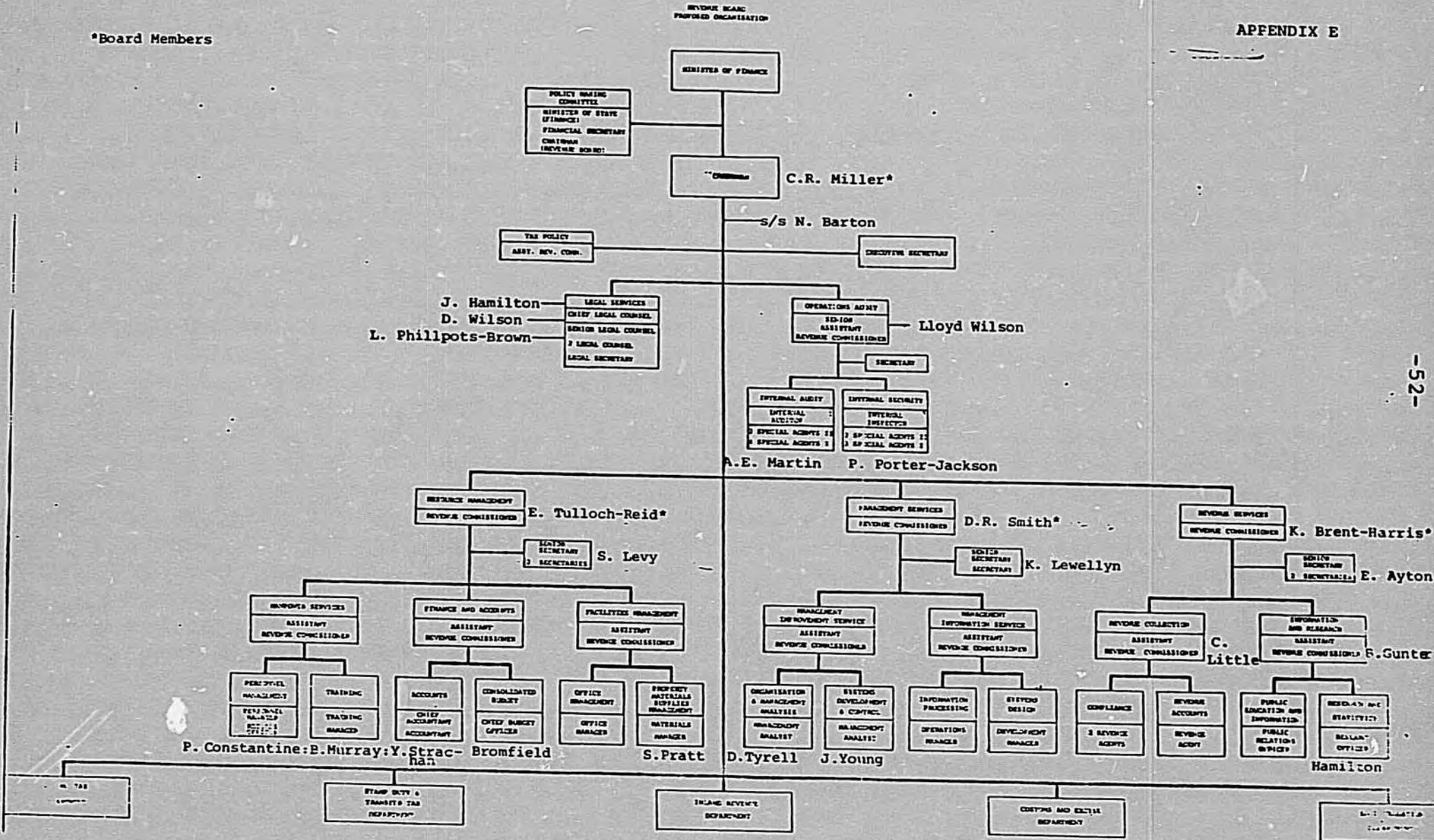
<u>Particulars</u>	<u>Estimates 1986/87</u>	<u>Estimates 1987/88</u>	<u>Estimates 1988/89</u>	<u>Total Estimates 1986/87 to 1988/89</u>	<u>Remarks</u>
(8) Other Operating Expenses such as Training, Insurance Technical or Consultant Fees, Transportation, etc.	450,000	300,000	200,000	950,000	
(9) Miscellaneous	150,000	150,000	150,000	450,000	
TOTAL	J\$ 8,410,000	3,970,000	3,322,000	15,702,000	J\$ converted at the rate of 5.50 to US\$1
	1,529,091	721,818	604,000	2,854,909	

STAFFING FOR THE COMPUTER CENTRE

<u>NO.</u>	<u>POST AND PARTICULARS</u>	<u>TOTAL ANNUAL PERSONAL EMOLUMENTS</u>	<u>REMARKS</u>
1	Managing Director	90,000	
1	Director: Systems Development	80,000	
1	Operations	80,000	
1	Technical Support	80,000	
1	Finance & Administration	80,000	
2	Revenue Agent III (Programmer	108,560	
2	(D.B.)	108,560	
1	(E.D.P. Auditor)	54,280	
1	(Systems Engineer)	54,280	
1	(Systems Analyst)	54,280	
2	Revenue Agent II (Analyst)	93,384	
2	(Programmer)	93,384	
2	(Operations)	93,384	
2	(System Engineer)	93,384	
8	Revenue Agent I (Analyst Programmer)	249,024	
1	Administrator	41,652	
1	Financial Controller	54,280	
1	Accountant	41,562	
1	Accounting Officers	62,256	
1	Property Superintendent	31,128	
1	Executive Secretary	30,412	
2	Senior Secretary	48,534	
3	Secretary	55,080	
1	Data Entry Supervisor	18,360	
6	Data Entry Clerk	78,000	
1	Production Supervisor	18,360	
1	Mass/Tech. Librarian	20,800	
1	Telephone/Operator/Receptionist	15,180	
1	Male Attendant	11,160	
1	Female Attendant	9,028	
3	Security Guard	<u>33,480</u>	
55	Sub-Total	1,981,792	
	NIS Contribution	10,415	
	NHT Contribution	<u>28,463</u>	
55	TOTAL	<u>2,020,670</u>	

*Board Members

APPENDIX E



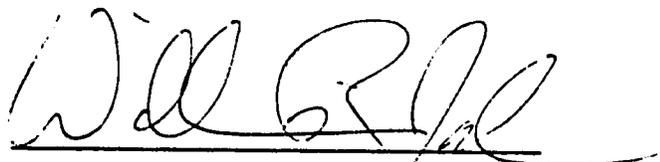
APPENDIX F

FAA 611(e) Certification

Certification on Capacity to Maintain and Utilize

I, William R. Joslin, as Director of the United States Mission to Jamaica, having taken into account inter alia, the maintenance and utilization of projects in Jamaica previously financed or assisted by the United States, do hereby certify that, in my judgement, Jamaica has both the financial and human resources capability to effectively maintain and utilize the computer component of the Board of Revenue Assistance Project.

This judgement is based upon the record of implementation of AID-financed projects in Jamaica, the description and analysis in this PP Supplement, and the results of consultations undertaken during review of this new project component.



William R. Joslin
Director, USAID/Jamaica

7/25/86

Date

APPENDIX G

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Jamaica
Project Title : Board of Revenue Assistance Project
Funding (LOP) : \$10,522,000 AID Grant/Loan
Life of Project : Seven years (FY 83-90)
IEE Prepared by : Charles R. Mathews
Director, Office of Engineering,
Energy and Environment, USAID/J
Date : July 11, 1986

Environmental Action Recommended: Negative Determination

Mission Director's Concurrence: William R. Joslin
William R. Joslin, Director

Date: 7/11/86

Discussion

The overall purpose of the project is to provide technical assistance to the Government of Jamaica in its effort: (a) to redesign Jamaica's tax structure along lines that fit the Government's objective of achieving stable economic growth through a private sector led, export oriented, development program; (b) to improve the administration of the tax system; and (c) to implement the systems developed in (a) and (b) above.

During the extension for which the mission is developing a PP Supplement, the project will assist in implementing the new tax structure via computerization of the income tax assessment functions and by deepening and strengthening the overall training and administration efforts. As a part of the computerization component of the extension, AID will provide funding for the construction of a two story air-conditioned, high security computer building of approximately 20,000 square feet.

During construction there will be temporary increased noise pollution as a result of construction activities. Traffic may be temporarily contained and there may be other minor inconveniences. However, the negative impacts will be of limited duration and slight to moderate and are therefore considered to be insignificant.

A negative determination is therefore recommended.

E. CULTURAL

1. Altering physical symbols -----	<u>N</u>
2. Dilution of cultural traditions -----	<u>N</u>
3. Other factors	
_____	<u>-</u>

F. SOCIO-ECONOMIC

1. Changes in economic/employment patterns ---	<u>L</u>
2. Changes in population -----	<u>N</u>
3. Changes in cultural patterns -----	<u>N</u>
4. Other factors	
_____	<u>-</u>

G. HEALTH

1. Changing a natural environment -----	<u>N</u>
2. Eliminating an ecosystem element -----	<u>N</u>
3. Other factors	
_____	<u>-</u>

H. GENERAL

1. International impacts -----	<u>N</u>
2. Controversial impacts -----	<u>N</u>
3. Larger program impacts -----	<u>N</u>
4. Other factors	
_____	<u>-</u>

I. OTHER POSSIBLE IMPACTS (not listed above)

_____	<u>-</u>
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- N - No environmental impact
- L - Little environmental impact
- M - Moderate environmental impact
- H - High environmental impact
- U - Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact
Identification
and
Evaluation

Impact Areas and Sub-areas

A. LAND USE

1. Changing the character of the land through:

- a. Increasing the population -----
- b. Extracting natural resources -----
- c. Land clearing -----
- d. Changing soil character -----

N
N
L
N

2. Altering natural defenses -----

N

3. Foreclosing important uses -----

N

4. Jeopardizing man or his works -----

N

5. Other factors

B. WATER QUALITY

- 1. Physical state of water -----
- 2. Chemical and biological states -----
- 3. Ecological balance -----
- 4. Other factors

N
N
N

N

C. ATMOSPHERIC

- 1. Air additives -----
- 2. Air pollution -----
- 3. Noise pollution -----
- 4. Other factors

N
N
N

D. NATURAL RESOURCES

- 1. Diversion, altered use of water -----
- 2. Irreversible, inefficient commitments -----
- 3. Other factors

N
N
