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PRIDE JAMAICA

ANNUAL REPORT

October 1, 2013 - September 30, 2014

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

TASK ORDER # 11

October 30, 2014

This publication was prepared by PRIDE Jamaica for review by the United States Agency for International Development/Jamaica.

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ACRONYMS

AEO	Authorized Economic Operator
AGM	Assistant General Manager
AID/W	Agency for International Development, Washington D.C.
AIU	Audit and Investigations Unit
ASYCUDA	Automated Systems for Customs Data
BPR	Business Process Reengineering
CBO	Community Based Organization
CET	Contraband Enforcement Team (JCA)
CG	Commissioner General
CO	Compliance Officer
COR	Contracting Officer's Representative
CPC	Chief Parliamentary Counsel
CPE	Continuing Professional Education
CSO	Civil Society Organization
CTMS	Central Treasury Management System
C-TPAT	Customs-Trade Partnership Against Terrorism
EDI	Electronic Data Interchange
E-GJ	e-Gov Jamaica
EU	European Union
FDU	Forensic Data-mining Unit
GM	General Manager
GOJ	Government of Jamaica
HMF	Honorable Minister of Finance
ICT/IT	Information and Communication Technology/Information Technology
IDB	Inter-American Development Bank
ILS	International Land Systems
IMF	International Monetary Fund

ITC	International Trade Corporation
JCA	Jamaica Customs Agency
JCD	Jamaica Customs Department
JIS	Jamaica Information Service
JUTC	Jamaica Urban Transit Company
KCT	Kingston Container Terminal
LCL	Less than Container Load
LPI	Logistic Performance Index
LTO	Large Taxpayer Office
MDA	Ministries, Departments and Agencies
MOU	Memorandum of Understanding
MoFP	Ministry of Finance and Planning
MP	Modernisation Plan (JCA)
MIP	Modernization Implementation Plan
NGO	Non-governmental Organization
OPM	Office of the Prime Minister
PCA	Post Clearance Audit
PETROJAM	Petroleum Corporation of Jamaica
PFM	Public Financial Management
PIU	Project Implementation Unit
PMEP	Project Monitoring and Evaluation Plan
PPP	Public Private Partnership
PSED	Public Sector Establishment Division
PSMD	Public Sector Modernization Division
RAD	Revenue Appeals Department
RCO	Regional Contracting Officer
RFP	Request for Proposal
RMS	Risk Management System
RMU	Risk Management Unit

RSC	Revenue Service Centre
SAJ	Shipping Association of Jamaica
SEMCAR	Supporting Economic Management in the Caribbean
SET	Special Enforcement Team (TAJ)
TAMU	Taxpayer Audit Management Unit
TAJ	Tax Administration Jamaica
TCSP	Trade Community System Partnership
TFS	Technical Feasibility Study
TOR	Terms of Reference
TRN	Taxpayer Registration Number
TRU	Tax Relief Unit
UNCTAD	United Nations Conference on Trade and Development
UNODC	United Nations Office on Drugs and Crime
USAID/Jamaica	United States Agency for International Development/Jamaica Mission
USCBP	United States Customs and Border Protection
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Promote, Renew, Invigorate, Develop, Energize (PRIDE) Jamaica completed this past program year with a vigorous range of implementation activities in the key areas of tax administration reform and customs reform.¹ Working with counterparts and stakeholders in the public and private sectors, as well as other donors, PRIDE Jamaica leveraged resources in order to maximize project impact and achieve results. This is demonstrated, in part, by **the more than US\$2.270 million counterparts contributed toward project implementation during this reporting period, as included in Annex 1.** The updated Results Reporting Table, Annex 2, from the Project Monitoring and Evaluation Plan (PMEP) and Annex 3, Results by Indicator, provide results against targets for this past program year. In addition to **meeting or exceeding all of the targets in the PMEP**, PRIDE Jamaica achieved important implementation benchmarks in the core program areas by building upon the strong foundation it established during the previous program years. As a result of PRIDE Jamaica's capacity building and institutional strengthening support, during the past program year **Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) collected more than US\$75 million in revenue** by implementing programs developed by PRIDE Jamaica. **The success of PRIDE Jamaica's work with TAJ and JCA was acknowledged by the Government of Jamaica when, in a historic act, it provided funding to USAID to issue a project extension for PRIDE Jamaica (Annex 4) to continue to support tax and customs reform.** With the extension, PRIDE Jamaica is now working only on the tax administration reform and customs reform components.² Throughout the past year, PRIDE Jamaica continued to work collaboratively with stakeholders to aggressively achieve results.

Tax administration reform continued to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation program. With a new International Monetary Fund (IMF) agreement in place for Jamaica since May 2013, it was critical that TAJ achieve revenue collection and reform program benchmarks to ensure these aspects of the IMF agreement were fulfilled. Working with colleagues in TAJ, PRIDE Jamaica continued to focus on improving compliance and mobilizing revenue collection.

As part of this effort, **TAJ achieved four important legislative milestones during the past program year.** During October 2013, Jamaica passed 'The Charitable Organisations Act, 2013', an entirely new piece of legislation that now provides statutory tax treatment for qualified charities. Jamaica did not have a charities act, and previously charities had to qualify for tax free treatment by applying to the Minister of Finance for discretionary waivers. The Act provides

¹ PRIDE Jamaica's field implementation began at the end of March 2010. In order to align the project year with the US Government fiscal year, USAID/Jamaica requested that Year 1 include the 6.5 month period March through September, 2010. Year 2 includes the period October 1, 2010 through September 30, 2011. Year 3 includes the period October 1, 2011 through September 30, 2012. Year 4 commenced on October 1, 2012, and finally, Year 5 commenced on October 1, 2013.

² In June 2011, USAID/Jamaica advised CARANA Corporation of substantial reductions in funding. At that time, PRIDE Jamaica prepared for project close-out in September 2012, one year earlier than the original task order date. In April 2012 USAID/Jamaica advised CARANA that it would obligate additional funds to enable the project to operate through August 2013, with a reduced program scope focusing only on tax administration reform and customs reform. This reduced scope was confirmed with the June 2013 Task Order amendment, which extended the Life of Project and obligated additional funding.

substantial improvement in transparency regarding the application for and use of tax free treatment for charitable organizations. The approval process to qualify for tax relief under the Act will substantially strengthen TAJ's ability to monitor compliance.

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

Along with TAJ, PRIDE Jamaica has been a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities, and working with TAJ, identified additional opportunities to strengthen legislation to improve taxpayer compliance. Parliament passed the Tax Penalties (Harmonisation) Act 2014 and The Tax Collections (Miscellaneous Provisions) Act 2014 during this reporting period, in addition to the legislation mentioned above. The Tax Penalties (Harmonisation) Act standardizes penalty rates applied to delinquencies across various tax types. Previously, different penalty rates were applied based on the type of tax. The Tax Collections (Miscellaneous Provision) Act, creates enforcement mechanisms for the tax authorities, which, while not novel in concept, are very novel in execution. The act will weigh more heavily on individual tax debtors than companies as the former are not shielded by the vehicle of "limited liability incorporation status," which separates the debt of a company from that of its shareholders given that these two are regarded, in law, as having "separate legal personalities." The need to standardize penalties across tax types was an early recommendation developed by PRIDE Jamaica when TAJ and the project began an overhaul of tax legislation in 2011. Additional bill amendments to strengthen both Acts came into effect on October 1, 2014.

In the area of tax operations, PRIDE Jamaica continued to work with TAJ across a wide range of operational areas to establish improved, sustainable programs and processes to improve compliance and mobilize revenue collection. Building on PRIDE Jamaica's prior support to TAJ in the area of arrears collection, over the last program year TAJ continued to address the excessive backlog of outstanding tax arrears cases. This included **implementing the new High Priority and Medium Priority processes for arrears collections at all of the TAJ Revenue Service Centres (RSC's) by the end of 2012**. PRIDE Jamaica also mentored counterparts in the Tax Arrears Management Unit (TAMU) in Programmes to prepare TAJ's Fiscal Year (FY) 2013-2014 Tax Arrears Management Annual Plan.³

Utilizing the new procedures developed by PRIDE Jamaica and TAJ, **TAJ closed 10,755 High and Medium priority cases, valued at US\$22,595,400**. As tax arrears collection efforts continue to place emphasis on the larger taxpayers, the timely filing and payment compliance among these entities should also improve, resulting in more tax revenue being collected.

³ The Government of Jamaica's fiscal year begins on April 1 and ends on March 31.

TAJ also established a working group to **prepare the draft Tax Arrears Management Standard Operating Procedures (SOP) Manual**. This was a major, outstanding recommendation previously made by PRIDE Jamaica. The draft SOP Manual, which incorporates major aspects of PRIDE Jamaica's technical input, has also incorporated aspects of the training provided by PRIDE Jamaica to strengthen the capacity of Compliance Officers (CO's) to effectively close tax arrears and compliance lead cases. These new approaches will enable TAJ to focus its resources on those cases which are 'High' priority and the most collectible, supporting the administration's objective to close cases and reduce the inventory of arrears cases in a cost effective manner. **A total of 77 Compliance Officers have been trained during the reporting period.**

As the ultimate goal of every tax administration is improved taxpayer compliance, PRIDE Jamaica continued its work with the Forensic Data-mining Unit (FDU) and TAMU to improve overall taxpayer compliance by expanding the taxpayer base and improving tax return filing and payments. In preparation for the current 2014/2015 fiscal year, **PRIDE Jamaica worked with TAMU to develop the framework for the FY 2014/2015 Tax Arrears Management Annual Plan**. TAJ began implementing the FY 2014/2015 Tax Arrears Management Annual Plan on April 1, 2014, the start of the GOJ's new fiscal year.

To strengthen performance management of the arrears collection and compliance lead processes, PRIDE Jamaica developed model program guidelines and reporting requirements for Compliance Officers working these leads in the RSC's, and, with TAMU, also developed a visit report format that outlines TAMU's findings of the case work reviews at the RSC's. **The reports will assist with improving management of the arrears collections function, and will ensure that General Managers (GMs) at the RSC's are sufficiently informed to make improvements in monitoring performance of Compliance Officers.**

Results of the 2013/2014 fiscal year compliance leads (C-leads) programs indicate that the 'Income Tax Stop-filer,' 'Missing Education Tax Return' and the 'No Estimated 2013 Tax Filed' programs performed well. FDU and TAMU have implemented and incorporated operational recommendations from PRIDE Jamaica that will enable TAJ to focus on those cases that are the highest priority in terms of dollar value and other selection criteria. **TAJ collected a total of US\$13,936,500 from C-leads cases during the past fiscal year.**

Implementing risk-based assessments to select audit cases and improving the audit management function have been other areas of ongoing strategic focus for PRIDE Jamaica and TAJ. PRIDE Jamaica continued supporting TAJ to improve tax compliance by implementing risk-based computerized scoring systems to select cases for audit. PRIDE Jamaica also worked with the Audit Unit during the program year to develop a new and expanded comprehensive training program for TAJ's audit managers. **In preparation for the GOJ's current fiscal year, PRIDE Jamaica and TAJ's Audit and Investigations Unit (AIU) developed the FY 2014/2015 Annual Audit Plan.**

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to support the arrears collection function. During the reporting period, PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs, which established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. PRIDE Jamaica continued its work with SET and developed an annual work plan for the unit, similar to the format PRIDE Jamaica previously developed for TAMU.

Implementation of this work plan is essential to allow SET and the Intelligence, Investigations and Enforcement leadership to manage the SET unit's workflow.

Since December 2011, PRIDE Jamaica has been working closely with the Large Taxpayer Office (LTO) to strengthen its abilities to improve taxpayer compliance. This activity was implemented after the IMF's in-depth review of TAJ operations in late 2011. Throughout the implementation of this activity, PRIDE Jamaica has worked closely with TAJ to strengthen capacity and institutionalize this capability. As LTO began preparing to conduct audits in the large retail sector, PRIDE Jamaica completed a first review of LTO's pre-assessment activities. To assist their efforts, PRIDE Jamaica prepared additional data analysis training materials to strengthen LTO's use of computer-based data analysis tools. LTO will apply these tools to the upcoming audits in the large retail and other sectors.

PRIDE Jamaica's work with Jamaica Customs Agency (JCA) enabled customs to introduce risk management; apply risk management principles to cargo selectivity and criteria management; institute account management in the AEO program; introduce security measures to AEO; improve and simplify entry processing; and refine and issue new simplified directives. These activities all represent the primary contributing factors to Jamaica's improved 2014 global logistics ranking, currently at 70 out of 160 nations. Jamaica improved faster than most of the world, falling below triple-digits for the first time in the 2014 study entitled 'Connecting to Compete 2014 - Trade Logistics in the Global Economy,' published by the World Bank. Nations were ranked using the Logistic Performance Index (LPI), which measures the time, cost and reliability to transport goods using air, sea and rail transport. **Jamaica received its highest indicator sub-rank for customs at 54 out of 160 nations.**

The Ministry of Finance satisfied the precedent conditions during the past program year to enable disbursement of IDB loan funds to support tax and customs reform.⁴ This is a major milestone that resulted from almost three years of work by TAJ and PRIDE Jamaica. This effort began in June 2010, when PRIDE Jamaica supported TAJ to prepare a complete costing of the tax administration reform program, against which the Inter-American Development Bank (IDB) developed the tax and customs loan program. In February 2013, TAJ and JCA received approval from the IDB to publish the procurement notices for their new IT and Risk Management systems, respectively. PRIDE Jamaica's support to TAJ to reach this milestone included re-engineering TAJ's core business processes, preparing the Request for Proposal, and participating on the technical evaluation committee. PRIDE Jamaica reviewed Jamaica Customs' risk management framework and also worked with Jamaica Customs to prepare the Request for Proposal to procure its new system. **JCA completed its procurement in August 2014. These new IT systems will greatly strengthen improved operations, facilitate voluntary taxpayer compliance, improve revenue collection, and reduce risk.**

PRIDE Jamaica continued its work with JCA to legislate critical amendments to the Customs Act, in keeping with Customs modernization, and has continued to advocate for a better approach to the legislative reform process. Jamaica Customs has been encouraged by PRIDE Jamaica to prepare a wholly new legislative framework shaped by the Revised Kyoto Agreement pertaining to Customs Agencies. JCA has, however, since opted to proceed with separate packages of updates to the existing legislation. The primary reason being cited for this decision is that JCA wants to proceed as quickly as possible to apply the ASYCUDA system, and in order to do so, certain legislative items need to be established. **In September 2014, the**

⁴ Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, for a total loan of US\$62 million.

Honourable Minister of Finance tabled the ‘ASYCUDA Bill’ in Parliament. This was a major benchmark achievement for JCA.

PRIDE Jamaica worked with JCA and TAJ’s Excise Division to prepare a Petroleum Audit Survey Interview Questionnaire that JCA utilized during the conduct of a post clearance audit for the petroleum sector. PRIDE Jamaica also worked alongside JCA to develop an Audit Plan which articulates in greater detail the performance steps for audit. PRIDE Jamaica’s support to facilitate coordination between TAJ’s Excise Division and the Post Clearance Audit (PCA) and Sufferance Wharves units at Jamaica Customs is enabling both audit teams to collaborate during conduct of audits and to regularize the petroleum trade.

The Petroleum Audit Technical Guide, also developed by PRIDE Jamaica, serves as a resource tool that can be referenced by the Customs audit group when specific issues arise in relation to the audit steps for the petroleum sector. The guide will be utilized by Jamaica Customs as a working tool and technical resource that is to be improved upon as additional experience is gained and applicable information becomes available. This material will result in the Post Clearance Audit (PCA) Division having the most comprehensive and effective audit resource and training tool for conducting an audit in the Jamaican petroleum industry.

PRIDE Jamaica also worked with JCA to develop a comprehensive petroleum audit program, including specific audit steps to address the petroleum industry and to ensure thorough audit coverage. This product was reviewed and coordinated with the Audit Division staff and appropriate training was provided for the audit team to emphasize the importance of thorough preparation and effectively managing the process throughout the audit. PRIDE Jamaica provided training to 24 new Account Managers that allowed JCA to implement standardized guidelines to measure petroleum and petroleum products imports. **This is enabling JCA to assess the appropriate revenues due and payable on petroleum imports.**

With support from PRIDE Jamaica, TAJ Excise Officers and JCA are better integrating their operations. JCA reported that its ability to monitor the movement of petroleum products and to account for revenues due from petroleum imports have been significantly strengthened as a direct result of improved communication and inter-agency collaboration with TAJ. Guided by recommendations from PRIDE Jamaica, both agencies have agreed to the preparation and conduct of future joint audits for the petroleum sector. **This has resulted in improved Customs operations, reducing risk to revenue and increasing transparency among operators in the petroleum sector.**

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

Based on these interventions, by implementing the new measures developed by PRIDE Jamaica to assist with accounting for all petroleum products, in August, **JCA raised an assessment against the importer for the years 2013 and 2014 totaling US\$2 million.** This assessment is based on the use of incorrect tariff codes and classifications by the importer. JCA has also agreed to extend the audit period beyond the previously determined deadline of March 2013. **Similarly, during the reporting period TAJ Excise confirmed the compilation**

of an assessment specific to import volumes of US\$950,000 for the six-year period of 2008 to 2014.

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

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

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

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

In August 2014, Jamaica Customs formally launched the project to implement its Integrated Customs Management System – ASYCUDA World. The ASYCUDA World solution is the latest of the Automated System for Customs Data (ASYCUDA) developed by the United Nations Conference on Trade and Development (UNCTAD) and aims at speeding up Customs clearance through the introduction of simplified processes and procedures which are compliant with international standards and best practices, thus minimizing administrative costs and improving efficiency to the business community. It also provides single window functionality. **The system uses modern technology and will improve security, trade efficiency and the fight against corruption while increasing Customs revenue and trade facilitation.**

With the acquisition and implementation of ASYCUDA World, a 10%-20% increase in revenue collection for JCA is estimated due to comprehensive automation. With the prior year's revenue collection of approximately US\$230 million, Jamaica Customs points out that it will require only a one percent (1%) increase in revenue during the first year of implementation and operation of ASYCUDA World to recover the investment. **The implementation of ASYCUDA World ICT system will strengthen transparency, uniformity, standardization and consistency of Customs procedures. ASYCUDA World will improve Customs control and risk-management capabilities.**

JCA has updated instructions and Standard Operating Procedures to include two good examples: a new *Post Clearance Audit Procedures Manual* and the *AEO Manual*. As there is no structured Issuance System⁵ in place at JCA, and since ASYCUDA World will require the drafting of many new procedures and documentation, PRIDE Jamaica recommended the establishment of a new issuance framework for JCA. In preparation for this, PRIDE Jamaica provided Jamaica Customs with general guidelines and technical assistance for development of the issuance framework as it evolves.

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

As with TAJ, **JCA achieved a major legislative milestone at the end of March 2013, when Parliament designated Jamaica Customs an Executive Agency (EA)**. As a consequence of EA status, Customs is expected to demonstrate improved accountability, transparency, control and performance. With the change in designation, Jamaica Customs adopted 'Agency' in exchange for 'Department.' Over the past two years, PRIDE Jamaica advocated for this change to establish an improved statutory authority for Jamaica Customs.

The Government of Jamaica successfully negotiated a new agreement with the IMF, which became effective in April 2013. Benchmarks for reform in tax policy, tax administration and customs administration comprise fundamental elements of this agreement. PRIDE Jamaica's capacity building and institutional strengthening activities during the past program year fully supported TAJ and JCA both to meet their requirements under this new agreement, and to strengthen long-term sustainability of their reform programs.

PRIDE Jamaica continued to incorporate a strong partnership approach with all of its implementation partners to achieve results. This approach has led to very close working relationships with stakeholders. It provides access to decision makers, enables open and ongoing communication with counterparts, supports real partner ownership of the assistance that PRIDE Jamaica offers, builds human and institutional capacity and supports sustainability of new, improved approaches. With resources focused on tax administration and customs reform, PRIDE Jamaica will continue to vigorously assess expected results to ensure that final implementation activities maximize impact as the program's tenure approaches its end.

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

SECTION I

PROJECT OVERVIEW

Background

In March 2010, the CARANA consortium, including Crown Agents, State University of New York (SUNY), Duke University and International Land Systems (ILS) began implementation of USAID/Jamaica's program Promote, Renew, Invigorate, Develop and Energize (PRIDE) Jamaica. Initially planned as a three and a half year, US\$8.1 million project ⁶, PRIDE Jamaica reduces and eliminates administrative barriers and improves the regulatory policy framework to establish an improved business operating environment to support private sector growth.

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

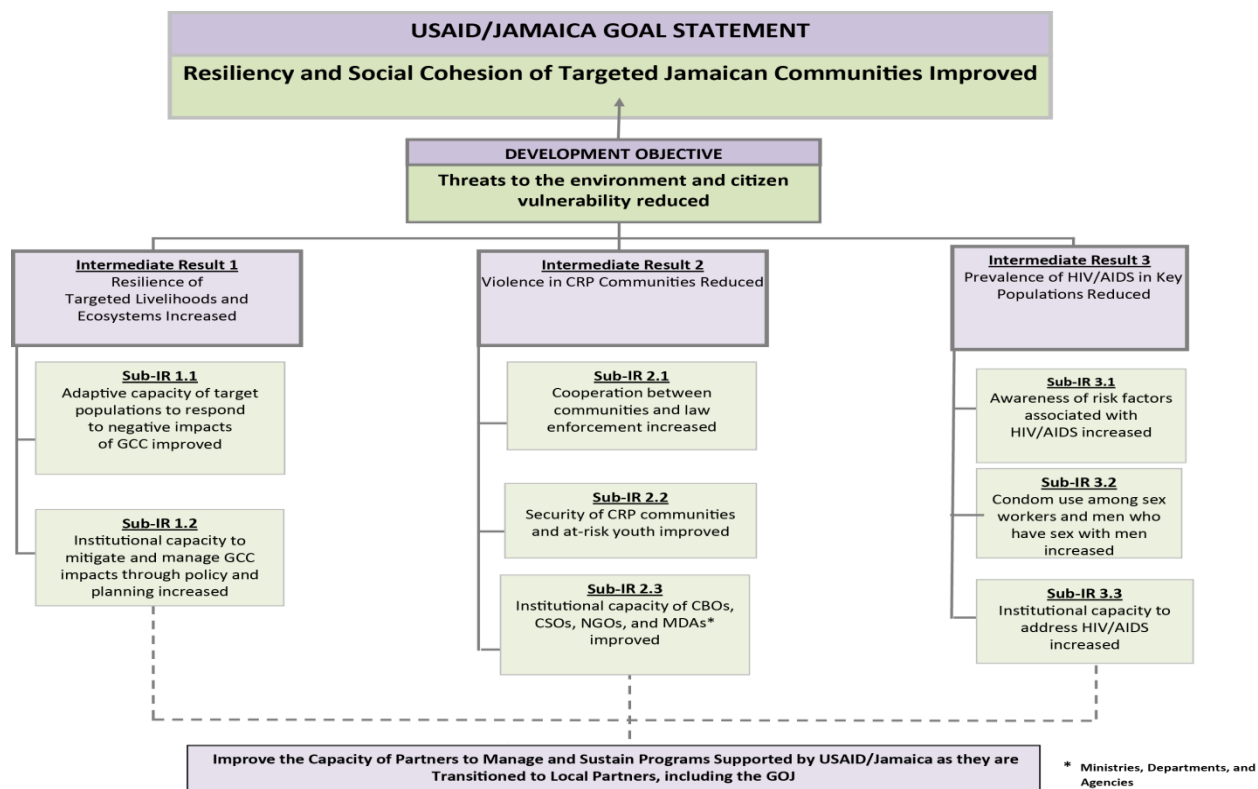
PRIDE Jamaica's component areas include:

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

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

⁶ At the time of reporting, the ceiling price for this Task Order is US\$8,125,080.00. The original completion date was August 31, 2013. In June 2013 the Task Order was extended to March 2015.

FIGURE 1 – Assistance Objective



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

In June 2011, USAID/Jamaica informed CARANA that future funding for PRIDE Jamaica would be drastically reduced. At that time, USAID/Jamaica requested that PRIDE Jamaica focus only on tax administration reform and customs reform for the program year beginning October 1, 2011. PRIDE Jamaica continued this focus when additional funding enabled the project to continue through August 2013. A subsequent contract amendment in June 2013 extended the project, with the focus continuing on tax administration reform and customs reform, supported by legislative process as a cross-cutting component. As a result of this focus, this Annual Report does not include reporting on Component 3, Access to Credit for Micro, Small and Medium Enterprises, and Component 5, Land Policy and Administration.

With the approval of USAID/Jamaica, PRIDE Jamaica revised several of the project’s Performance Monitoring Plan (PMP) indicator targets. The revised targets reflect reduced

(overall) funding for the project; implementation in only two focus-areas: tax administration reform and customs reform; and, additional targets for the contract extension.⁷

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

Toward Achieving Objectives – Progress to Date

By the end of the last work plan period, PRIDE Jamaica had met or exceeded all targets in the Performance Monitoring Plan.⁸ An improved enabling environment allows for improved revenue mobilization and improved governance. These elements strengthen the Government's ability to:

- Support a secure environment to enhance citizen security;
- Provide efficient public sector services and infrastructure the private sector requires to operate; and,
- Implement good governance practices that demonstrate public sector bodies function transparently and efficiently.

As previously mentioned, PRIDE Jamaica's original program areas included:

1. Tax Policy and Administration
2. Licensing and Other Competitiveness Areas
3. Access to Credit for Micro, Small, and Medium-Sized Enterprises
4. Legislative Process
5. Land Policy and Administration

Responding to guidance from USAID/Jamaica regarding available funding, during the last program year PRIDE Jamaica focused implementation on Component 1, 'Tax Policy and Administration', and support to Jamaica Customs through Component 2, 'Business Licensing and Other Competitiveness Areas.' Component 4, 'Legislative Process', was treated as a cross-cutting theme for those legislative and administrative reform activities needed to support tax administration and customs reform. Tax policy and administration remained the highest priority for PRIDE Jamaica's implementation activities.⁹

⁷ In June 2011 USAID/Jamaica informed CARANA that future funding for PRIDE Jamaica would be drastically reduced. At that time USAID/Jamaica requested that PRIDE Jamaica focus only on tax administration reform and customs reform. Based on the expected funding, PRIDE Jamaica planned for close out during July 2012, one year earlier than the expected Task Order period. When funding became available for Year 4 and Year 5, PRIDE Jamaica reinstated targets for Years 4 and included additional targets for Year 5. The overall project funding is not expected to reach US\$8.1 million.

⁸ In consultation with USAID/Jamaica, PRIDE Jamaica reinstated targets for Year 5 during planning for the contract extension. The updated PMP accounts for the new Results Framework and reflects PRIDE Jamaica's focus on tax administration reform and customs reform, while eliminating implementation activities in other program areas.

⁹ PRIDE Jamaica completed activities in Components 3 and 5 as of September 30, 2011, based on guidance from USAID/Jamaica. This reflects reduced overall funding for the following program years.

SECTION II

2.1 TECHNICAL ACTIVITIES

2.1.1 Component 1: Tax Policy and Administration

During this past program year, PRIDE Jamaica continued to allocate the majority of project resources to the Tax Policy and Administration component. PRIDE Jamaica's implementation activities for the program year continued to build on prior work and results with TAJ in key operational areas of tax administration reform and with the Ministry of Finance and Planning (MoFP) in governance. PRIDE Jamaica and TAJ determined some of these strategic priorities based on recommendations from previous International Monetary Fund (IMF) Fiscal Affairs Department missions. Based on revised funding levels and changing timeframes for project completion in prior years, PRIDE Jamaica focused on several of the higher priority areas as agreed with TAJ counterparts. By maintaining this focus, PRIDE Jamaica and TAJ have been able to apply a phased approach toward implementing solutions to improve operations, which is supporting sustainability of the new approaches within TAJ as PRIDE Jamaica comes to a close.

PRIDE Jamaica's work during the past program year further supported TAJ's efforts to mobilize revenue collection; broaden the tax base by improving compliance; improve operational processes and strengthen implementation; institutionalize capability transfer; and advocate for legislative, regulatory and administrative changes that are strengthening TAJ's ability to effectively conduct its operations and improve voluntary taxpayer compliance. PRIDE Jamaica supported the Programmes Unit and Revenue Service Centres to utilize new procedures to collect tax arrears; establish taxpayer compliance programs; improve the operational procedures for the Special Enforcement Team; develop a new training program to strengthen the skills of audit managers; and implement improvements to arrears collection and audit activities to achieve results. This included strengthening local capacity to improve governance, successfully implement reform measures, and achieve revenue collection and reform objectives within the scope of the IMF agreement.

Project Management

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

This past program year continued to be a critical time for TAJ's reform efforts. One major aspect of the tax reform program includes the almost complete elimination of the Minister of Finance's authority to provide discretionary waivers. Over many years discretionary waivers were requested for a variety of taxes, including corporate and personal income tax, General

Consumption Tax (GCT) and import duty, among others, and were granted at the discretion of the Minister of Finance. Discretionary waivers contribute to loss of revenue and create an unlevel playing field for taxpayers, and their impact on revenue was generally not measured. Discretionary waivers had also been used to exempt charitable organizations from certain tax requirements as Jamaica had not had a charities act that provided tax relief for qualifying organizations.

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

In 2012 the working group established the guidelines and operational requirements for the first iteration of this process, which will automate aspects of the statutory 20 percent tax relief on motor vehicles offered to specified categories of public sector employees. This initial phase of automation will enable the TRU to transfer administrative responsibility for this employee benefit to human resource units at individual ministries, departments and agencies (MDA's). As part of the process to improve efficiency and transparency, the MoFP established a 'Help Desk' to respond to tax relief inquiries. This Help Desk, which was established at the recommendation of the working group and became operational during January 2013, is enabling the TRU to spend more time processing tax relief requests and less time on telephone inquiries. The Help Desk has responded to more than 15,000 inquiries since it was established.



Tax Relief Unit Help Desk responds to taxpayer inquiries regarding tax relief. (PRIDE Jamaica photo)

The automated process incorporates an online software platform that is accessed by applicants, reviewers and approvers. The working group finalized the requirements analysis and conceptual design, which were approved by the Financial Secretary, enabling the pilot phase of the program to begin in November 2013. The pilot phase was implemented within the MoFP and several of its departments and agencies. The pilot phase has provided an important opportunity to identify software, hardware and process/operational issues to be identified and resolved prior to the system being implemented throughout the wider GOJ. It will also provide time for other MDA's to assess their readiness to utilize the new system and budget for hardware, software or other IT upgrades they may require to implement the new system.

During the course of the program year, e-Gov Jamaica (E-GJ), formerly Fiscal Services Limited, the GOJ's IT support unit, completed a range of software installations, conducted software and user acceptance testing and provided training to various user groups, all of which are supporting implementation of the pilot phase of the program. Interfaces with databases at Jamaica Customs Agency (JCA) were developed, and legacy data from the Revenue Protection Division is being incorporated into the system. This will ensure that agencies will be able to conduct the required verifications when the new automated system is fully operational. The working group began its review of a draft user manual that will be used by human resource administrators and applicants to guide their use of the online system. With further updates to the system requirements during the pilot, the user manual continues to be updated. The links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>.

The pilot phase was expected to be completed in April 2014, but several factors required the pilot to be extended through September 2014. Not unexpectedly, system errors are being identified and corrected. Additional software licenses have to be procured and programming

interface issues had to be resolved between different parts of the application submission and processing systems. Early in the pilot, the working group determined that additional data would be required to verify that those applying for the statutory benefit were actually eligible to receive it. An upgrade of the GOJ's E-census system will provide the employment verification that is needed, however, it will take several months for E-GJ to develop the required upgrades and interface. The new automated process for tax relief will achieve one important aspect of the GOJ's efforts to more effectively measure the impact of tax expenditures on the Government's budget and improve transparency.

The working group has prepared budgets for the additional software and hardware requirements that will support full implementation of the new system once the pilot phase is complete. This includes developing requirements for the second phase of the automated tax relief system. Phase two will incorporate automation to register tax relief that is obtained within the scope of the new Fiscal Incentives Act.

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

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

During the reporting period, the GOJ also completed several important legislative requirements under the IMF agreement that will support a strengthened public financial management framework for Jamaica. These legislative items will further strengthen the GOJ's ability to measure the impact of tax expenditures on revenue; improve revenue forecasting; allow the Government to better assess whether incentives are having the intended results for economic sectors; make more transparent the use of incentives; and strengthen the assessment and collection authorities of the tax and customs authorities when taxpayers are not compliant.

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

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

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

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

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

After a process of almost three years, in March 2013 Jamaica's Parliament passed legislation to establish TAJ as a semi-autonomous revenue authority (SARA). TAJ has been working over the past year to prepare for full implementation of the new SARA structure and management guidelines. In December, the new Board of Management that will oversee TAJ within the SARA framework was appointed. The Board, which includes representatives from the public and private sectors, convened its first meeting in January. TAJ has updated its organization structure and finalized job descriptions and classified the positions. These are being reviewed and approved by the Cabinet Office, after which MoFP will establish the positions. After the Honorable Minister of Finance confirms an effective date for SARA to commence, TAJ will then be able to begin the hiring process within the SARA structure, which will provide TAJ with an important opportunity to seriously consider its human resource requirements as it staffs the new organization.

PRIDE Jamaica participated in three comprehensive reviews conducted by the MoFP with development partners which addressed the GOJ's wide-ranging agenda to strengthen Jamaica's PFM. Work is underway in key departments of the MoFP, including the Auditor General, Accountant General, Revenue Appeals and other departments, to upgrade technical skills and improve operational effectiveness. Development partners are supporting a number of the activities to strengthen PFM and the reviews provided a comprehensive overview of work underway, timeframes for completion and future technical work that will be undertaken. The reviews, which will continue on a quarterly basis, provide an important coordinating mechanism for the GOJ with its development partners.

Supporting TAJ to Improve Operations

TAJ is addressing the issue of the excessive backlog of outstanding tax arrears cases and has made real progress. Since 2010 this has been and will continue to be a priority item for TAJ and the IMF. In October 2013, the Honorable Minister of Finance introduced new implementing regulations for the 'Tax Collection Act for Arrears Write-Off' legislation that Parliament passed in July 2013. TAJ is beginning the process of identifying and classifying the appropriate tax arrears accounts that are uncollectible to remove those cases from the 'active' accounts register. Removing this backlog of more than 70,000 uncollectible cases will allow TAJ to concentrate its resources on collectible accounts, reduce time expended to cleanse stale data and identify more realistic projections for arrears revenue collections.

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

PRIDE Jamaica's earlier work with TAJ's Tax Arrears Management Unit (TAMU) and IT staff established a ranking procedure to designate arrears cases as High, Medium or Low Priority. New procedures and guidelines to effectively work the various categories of cases, developed by PRIDE Jamaica and TAMU, were codified in a new Tax Arrears Management Handbook. TAJ has implemented these new processes in all of the Revenue Service Centres (RSC's). TAJ has reoriented its tax arrears operations to focus on the High Priority (HP) and Medium Priority (MP) cases. Compliance Officers (CO's) are now utilizing the new procedures and applying all the compliance remedies available, which should result in closing the higher value arrears cases and increasing revenue collections from tax arrears. This will form an important component of TAJ's revenue collection targets to meet the IMF revenue benchmarks.

In addition to the new procedures, PRIDE Jamaica continued to focus on improving the quality and timeliness of work by Team Leaders and CO's at the Revenue Service Centres to more effectively close tax arrears and Compliance Lead (C-lead) cases. TAMU and PRIDE Jamaica conducted periodic reviews of CO's arrears cases at the RSC's and these reviews indicate that improvement continues to be made in the quality and timeliness of casework and case management. The new report forms and procedures are being utilized more uniformly across

RSC's, and there is more review and oversight by Team Leaders. CO's are incorporating more complete documentation regarding actions taken and those to be completed, which is particularly important if a case goes before the courts. If CO's consistently utilize the new procedures and apply all the compliance remedies available, this new approach will result in closing a greater number of arrears cases and collecting revenue. The new systems are beginning to consistently yield results in arrears collections, with TAJ gathering US\$22,595,400 from High Priority and Medium Priority arrears cases during this reporting period.

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

To further strengthen the capacity of CO's to effectively close tax arrears cases, PRIDE Jamaica and TAMU finalized a new training program, building on the training PRIDE Jamaica and TAMU developed for Team Leaders of High and Medium priority arrears teams. TAMU and PRIDE Jamaica conducted training for 77 CO's during the past program year. The training program focused on improving financial analysis, interview techniques, negotiation skills and investigative techniques, and also introduced a full range of appropriate enforcement actions to familiarize CO's with the various arrears collection options currently available to TAJ. The course used the case study approach and group work, and trainees actively participated in all of the training topics. The process allowed for substantial discussion on a range of tax arrears collection and compliance leads issues that CO's encounter. The instructors included TAJ Compliance Officers and staff from TAMU, Special Enforcement Team and Legal.



Training for Compliance Officers, May Pen. (PRIDE Jamaica photo)

To institutionalize the new procedures, TAMU incorporated aspects of the CO training materials and the Tax Arrears Management Handbook into a new SOP manual for tax arrears collection. The draft of the new manual was reviewed and edited by staff from other TAJ units and PRIDE Jamaica. The final document had been delayed due to demands on staff to update a range of forms that are required to incorporate elements of the new Fiscal Incentives Act. During July, PRIDE Jamaica and TAJ renewed efforts to finalize the SOP manual so that it can be finalized and then distributed to all of the RSC's. TAJ anticipates that the draft final SOP manual will be distributed to all units in mid-October and, pending any additional comments, will be published thereafter.

As part of the planning process to prepare for the current GOJ FY 2014/2015 fiscal year, PRIDE Jamaica and TAMU analyzed the results from the FY 2013/2014 TAM Annual Plan in relation to available staffing. The results indicated, not unusually, that there is far more casework in both arrears and compliance leads (C-leads) than can be handled, based on current staffing. TAMU has also noted that RSC's, not surprisingly, are reporting that CO's are requiring less time to close newer (fresher) arrears cases as compared with older inventory. This is very much in line with international standards.

PRIDE Jamaica had previously recommended that C-leads cases for taxpayers with other current tax arrears accounts should be assigned to the CO's working those accounts. PRIDE

Jamaica continued to recommend that TAJ use risk analysis methodology to rank the C-leads issued to the RSC's to ensure that the highest priority cases are worked based on dollar value and revenue potential. In the future, system-based computer runs will be conducted periodically to identify those leads that are still active and remove those where the tax returns have been filed.¹⁰ The analysis further confirmed that the new tax arrears write-off regulations will be an important factor in enabling TAJ to close a larger number of uncollectible, open arrears cases. Implementation of the write-off regulations will help clear unproductive inventory and, moving forward, enable TAJ to focus resources on more productive cases.

In preparation for the current 2014/2015 fiscal year, PRIDE Jamaica worked with TAMU to develop the framework for the FY 2014/2015 TAM Annual Plan. The plan reflects current inventories, revised staffing allowances and updated new "experience rates" based on actual time CO's require to close cases for projected closures. TAJ began implementing the FY 2014/2015 Tax Arrears Management Annual Plan on April 1, 2014, the start of the GOJ's new fiscal year. Terms were updated to include 'compliance leads,' instead of only using 'stop-filer' language, thereby acknowledging that stop-filer is but one type of compliance lead. The new experience rates reflect fewer hours required by CO's to close High Priority cases, while time to close Medium Priority and C-leads cases remain unchanged. The new plan also allows for the detailing of five percent of CO's direct time (lending staff time) for Taxpayer Services work at their RSC Offices. TAMU reviewed the plan with all of the RSC's to ensure that they understand how staff time has been allocated and the expectations for case closures.

Part of PRIDE Jamaica's ongoing support includes re-emphasizing to CO's and their managers the critical importance of submitting accurate, complete and timely monthly activity reports, as this continues to be an issue. These reports provide critical, strategic decision-making information on TAJ's tax arrears collection performance to executive management and the Tax Arrears Management Unit in Programmes. The reports are used by TAMU and Operations to measure performance and to determine whether adjustments should be made to the Annual Plan or if procedural changes are required to improve performance.

Utilizing the monthly reports will also allow TAMU managers to more accurately assess on a regular basis the performance of CO's and RSC's against Annual Plan expectations. This is a critical component that will allow managers at all levels to identify opportunities to improve results throughout the year, rather than just assessing overall annual performance at the end of the fiscal year when it is too late for corrections to be made. Although there have been improvements in some of the reporting, some RSC's still require improvement. Most of these reports are prepared by staff on report formats generated by TAMU to compensate for the lack of easily available system generated reports on the current IT system. When TAJ's new IT system is operational, many of these reports can be system generated, allowing more staff hours to be utilized on closing arrears and C-lead cases.

There is also a need for managers to better utilize the data from the reports to assess results and take early corrective action to improve program design and CO performance. To strengthen the arrears management function, PRIDE Jamaica conducted a data analysis workshop for nineteen TAM AGM's and Team Leaders in August. The workshop provided an opportunity to strengthen the capacity of the AGM's to analyze and better utilize the report information they prepare each month as a tool to assess performance of CO's and take

¹⁰ PRIDE Jamaica has recommended that the C-leads list should be generated after allowing for a brief lag time beyond the due date of the return. Generating the lists too early has resulted in CO's spending time trying to contact taxpayers who filed returns shortly past the due date.

corrective action to improve results. TAJ and PRIDE Jamaica further refined the need for formal Continuing Professional Education (CPE) for CO's. The FY 2014/2015 TAM Annual Plan specifies additional training time for CO's.



Data Analysis Training for Assistant General Managers. (PRIDE Jamaica photo)

To strengthen TAJ's performance management skills, PRIDE Jamaica conducted data analysis training for analysts in the Programmes Unit. The training focused on identifying key indicators to measure performance and effectively interpreting the information. Aspects of the training included utilizing the information to improve performance in Operations and communicating findings and recommendations to senior management. Utilizing data that is collected from internal reporting mechanisms to manage programs and improve results is a skill that TAJ will need to continue cultivating throughout the organization.

PRIDE Jamaica continued supporting TAJ to improve tax compliance by implementing risk-based computerized scoring systems to select cases for audit. PRIDE Jamaica previously completed work with the Forensic Data-mining Unit (FDU) and the Audit and Investigations Unit (AIU) in Programmes to develop the audit risk framework selection criteria for Corporate Income Tax (CIT), General Consumption Tax (GCT) and Personal Income Tax (PIT) returns, and TAJ completed the programming of these risk framework protocols. The current Annual Audit Plan format developed by PRIDE Jamaica integrated the classes that were established for the risk formulas.

In preparation for the GOJ's current fiscal year, PRIDE Jamaica and AIU developed the FY 2014/2015 Annual Audit Plan. This plan integrates the classes that were previously established for the risk formulas for audit case selection. PRIDE Jamaica worked with AIU to assess the implementation and results of a new reporting system that PRIDE Jamaica and TAJ designed to track closed audit case results from the prior year's plan. This reporting system depends on accurate tracking of direct time on audit cases, which is necessary to determine the average

time to be applied to different classes of case work. One RSC reported that the new case selection criteria resulted in more productive audit cases being selected during the last fiscal year.

One of the key factors affecting the FY 2014/2015 Annual Audit Plan was the uncertainty regarding the number of auditors that would be hired during the fiscal year. TAJ is finalizing its personnel requirements, which include the timing of hiring and the allocation of auditors to each of the RSC's. This is in accord with planning for its new SARA status and in keeping with IMF requirements to substantially increase the number of auditors in the Large Taxpayer Office. Part of this process includes determining the extent of training that will be provided for the new auditors, as this will have an impact on the number and types of audits that can be conducted at each of the RSC's during the fiscal year. During times of major expansion in audit personnel it is not unusual to see a reduced number of audits completed until new personnel are fully trained. PRIDE Jamaica provided guidelines to TAJ regarding baseline skill and education qualifications that would be required by the Internal Revenue Service for auditor candidates. AIU will be trying to balance skill levels against coverage requirements during the fiscal year for the priority audit areas. With staffing plans and experience levels continuing to change, the Annual Plan is being updated throughout the fiscal year.

Another important aspect for planning included the review of data from the FY 2013/2014 Annual Plan to determine how these results would be factored into assumptions for the current fiscal year. Results for the last fiscal year were most affected by the large number of transfers of auditors that took place from the RSC's to the LTO, mostly between June and September 2013. A number of the more experienced auditors at the RSC's were transferred to the LTO, leaving some of the RSC's with gaps in both staffing levels and experience. This is also likely to have an impact on the plan and results for the current fiscal year.

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

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

PRIDE Jamaica continued its work with the Forensic Data-mining Unit (FDU) and TAMU to improve overall compliance with tax return filing and payment requirements. FDU gathers data from various sources, both internal and external, and matches these data against the TAJ systems to identify taxpayer entities that must be registered for the appropriate types of tax returns and added to the TAJ taxpayer database. FDU also uses the data gathered to generate

compliance leads for non-registered, non-filer and stop-filer taxpayer entities. FDU provides the various C-leads to TAMU, which distributes these to the RSC's in accordance with the Taxpayer Compliance Programmes Annual Plan.

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

PRIDE Jamaica recommended several new, low cost and easy to implement taxpayer compliance improvement programs that TAJ implemented in the April 2013 through March 2014 period. These programs addressed those segments of the revenue at highest risk for non-payment, including trust fund taxes. Little was collected from C-leads cases during the October 2013 through March 2014 period. This was due to CO's allocating their time almost entirely to High Priority and Medium Priority arrears cases, with little time available for C-leads cases, given that CO's already had more HP and MP arrears cases than they could complete during the same period. This provided further confirmation from CO's that FDU should review and prioritize leads before these are issued to the RSC's to ensure that the leads are active. The TAJ executive management and Programmes continue to reinforce with the RSC managers the importance of properly and fully implementing various compliance leads programs, including timely and accurate reporting of results.

Results of the 2013/2014 fiscal year compliance leads programs indicate that the 'Income Tax Stop-filer,' 'Missing Education Tax Return' and the 'No Estimated 2013 Tax Filed' programs performed well. FDU and TAMU have implemented PRIDE Jamaica's recommendation of conducting a second data cleansing of leads to ensure that these are still fresh when they are sent to the RSC's. TAMU and FDU also incorporated PRIDE Jamaica's recommendation to prioritize the C-leads that are issued to the RSC's. Given TAJ's limited staff resources, prioritizing the leads will enable TAJ to focus on those cases that are the highest priority in terms of dollar value and other selection criteria. TAJ collected a total of US\$13,936,500 from C-leads cases during the past fiscal year.

TAJ is taking a more proactive approach toward informing the public about its compliance activities. TAJ reinstated the sale of seized taxpayer assets to recover tax revenues from non-compliant taxpayers and also advised the public that it is using updated provisions regarding access to third-party information legislation to widen the tax net and identify under-reporting of taxes.

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to support the arrears collection function. During the reporting period, PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs, which established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. The new SOPs are based on those developed by PRIDE Jamaica and TAMU for the tax arrears management function at the RSC's. SET procedures should follow the

same approach other CO's apply in regard to case management. This includes documenting contact with the taxpayer and actions taken; indicating the required next steps; conducting full compliance checks; and monitoring compliance with arrangement agreements, including court ordered payment agreements, among others. With the upcoming changes in TAJ's structure in accord with SARA, the Manager's Manual will support a smooth transition in the organization restructuring and movements of personnel.

PRIDE Jamaica and TAMU have been strengthening the integration of the work by CO's and case referral to SET through the CO training. PRIDE Jamaica continued its work with SET in June and developed an annual work plan for the unit, similar to the format PRIDE Jamaica previously developed for TAMU. The plan includes key categories of work, staffing allocations converted to direct hours of activity and experience rates for each type of work. It calculates the expected number of case closures per month so that the SET manager can monitor case activity in the unit. Implementation of this work plan is essential to allow SET and the Intelligence, Investigations and Enforcement leadership to manage the work flow of the SET unit.

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

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

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

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

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



TAJ Taxpayer Outreach. (Photo courtesy of Tax Administration Jamaica)

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

Since December 2011, PRIDE Jamaica has been working closely with the LTO to strengthen its abilities to improve taxpayer compliance. This activity was implemented after the IMF's in-depth review of TAJ operations in late 2011. Throughout the implementation of this activity, PRIDE Jamaica has worked closely with TAJ to strengthen capacity and institutionalize this capability. As part of this process, TAJ established additional internal data storage and data review capabilities and is now conducting more of the technical review work, with oversight provided by PRIDE Jamaica. This is an important step toward supplementing the technical support PRIDE Jamaica is providing, and will also be important as the LTO undertakes taxpayer compliance improvement activities in other sectors. As the LTO began preparing to conduct audits in the large retail sector, PRIDE Jamaica completed a first review of the LTO's pre-assessment activities. To assist their efforts, PRIDE Jamaica prepared additional data analysis training materials to strengthen the LTO's use of computer-based data analysis tools. The LTO will apply these tools to the upcoming audits in the large retail sector and to audits it conducts in other sectors.

Along with TAJ, PRIDE Jamaica has been a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities, and PRIDE Jamaica's work with the LTO identified additional opportunities to strengthen legislation to improve taxpayer compliance. As in other tax jurisdictions, transfer pricing and 'profit shifting' to lower tax jurisdictions are becoming important technical areas where TAJ needs to improve its capabilities. Changes to existing legislation and entirely new legislation, in addition to technical training, will be needed to strengthen TAJ's ability to address these issues.

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

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

When the amendments to the Tax Collection Act reached the Senate, these provisions were revised to require that a Supreme Court judge determine whether a lien should be attached to property. In this determination, the judge will have to consider whether the taxpayer

acknowledges the amount owed. These further amendments greatly reduce the authority of the CG and TAJ to improve compliance.

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

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

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

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

Leveraging Assistance from Other Donors

The Ministry of Finance and Planning (MoFP) is managing the implementation of the IDB loan funds to support tax and customs reform.¹¹ The MoFP has established a coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoFP, and TAJ has a representative on the coordinating group. During the reporting period, TAJ executed a contract with Fast Enterprises, a US-based firm, to design and implement a new IT system for the administration utilizing funds from this loan. This is a major milestone that

¹¹ Jamaica Customs, the Central Treasury Management System and Debt Management Unit all received funding under the IDB loan, which is likely to total US\$62 million.

resulted from almost three years of work by TAJ and PRIDE Jamaica. PRIDE Jamaica's support to TAJ included preparing a costing for the tax administration reform program; re-engineering TAJ's core business processes; developing the Request for Proposal; and serving on the Bid Evaluation Committee. TAJ expects that it will require two years to achieve full implementation of the new IT system.

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

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

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

2.1.2 Component 2: Licensing and Other Competitiveness Areas

The objective of Component 2 – Licensing and Other Competitiveness Areas, is to support the Government of Jamaica in its efforts to enhance the business environment by improving its regulatory efficiency utilizing legal and administrative reforms and facilitating the implementation of key solutions.

Jamaica Customs Agency (JCA)¹²

In preparation for implementation of project activities for program Year 5, PRIDE Jamaica worked closely with colleagues at Jamaica Customs Agency (JCA) to identify and prioritize those areas of customs reform that could be readily implemented and that would decidedly impact improved customs operations. JCA and PRIDE Jamaica reached agreement on specific activities that were supported by PRIDE Jamaica during the past program year. These activities included implementation of integrated, operational risk-based approaches at JCA in the areas of

¹² Parliament passed legislation designating the former Jamaica Customs Department with Executive Agency status effective April 2, 2013. Jamaica Customs Department became Jamaica Customs Agency with the gazetting of the legislation on March 28, 2013.

monitoring petroleum imports and the Jamaica Customs Authorized Economic Operator (AEO) program.

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

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

Petroleum Operations at Jamaica Customs

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

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

A follow-on phase to this activity was conducted and the fully implemented recommendations are assisting JCA to significantly improve their ability to manage the importation and movement of petroleum and petroleum products. This is also enabling Jamaica Customs to account for revenues due and to make several additional operational recommendations to support the improvement of petroleum monitoring and management procedures.

PRIDE Jamaica's ability to integrate procedures and processes, not only within Customs, but also with other responsible agencies, became more evident as implementation efforts continued. During the program year, PRIDE Jamaica worked with both JCA and Tax Administration Jamaica (TAJ) to facilitate joint informal consultative sessions on petroleum product monitoring between TAJ (Excise) and JCA. The Excise Division of TAJ has direct responsibility for the management of tax revenues from petroleum imports that enter the local market.

The consultative sessions enabled JCA and TAJ to close a major gap in relation to the collection and accounting of revenues due from petroleum when the Customs and Excise responsibilities were separated during a restructuring of the Customs and Tax agencies. This gap had not been fully addressed operationally and has provided

opportunities for irregularities in the management of revenue from petroleum and petroleum product imports. There is now a much stronger integration between Customs and Excise to more effectively monitor and manage petroleum imports. Site tours have been conducted at Petrojam oil refinery facilities by both agencies to observe and identify areas of vulnerability, and an effective inter-agency approach for improving and strengthening revenue collection in this sector has been designed and implemented, and is working well. **This has resulted in improved Customs operations, reducing risk to revenue and increasing transparency among operators in the petroleum sector.**

Petroleum Import Surveys

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

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

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

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

Support from PRIDE Jamaica to this audit activity has strengthened capacity at JCA by improving both JCA’s knowledge base of the petroleum industry and its managerial control of the petroleum importing process. This should improve voluntary compliance among the

petroleum product importing companies due to their awareness of the presence and capabilities of Customs and customs compliance measures.

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

PRIDE Jamaica also provided technical assistance to JCA to develop a comprehensive petroleum audit program, including specific audit steps to address the petroleum industry and to ensure thorough audit coverage. The program will serve as a guide and may be appropriately modified or enhanced during the course of an audit. Although the program will primarily address petroleum audits, some elements should also prove beneficial for use during conduct of other audits. This product was reviewed and coordinated with the Audit Division staff and appropriate training was provided for the audit team, emphasizing the importance of thorough preparation and effectively managing the process throughout the audit.

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

JCA's Audit Division has previously accessed the Customs Metacube System to accumulate a database of petroleum related importations within the past four years. In January 2014, Jamaica Customs reported a critical failure of the Metacube System. Although the system is once again functional, the failure that it experienced further serves to highlight the urgent need to implement the ASYCUDA World platform to support ICT requirements at the agency. Further analysis by importer, classification and year, along with input from other available sources, will provide a universe for future petroleum industry audits and a tool for risk assessment and audit priorities. This effort has been coordinated between PRIDE Jamaica and the Customs audit group.

PRIDE Jamaica continues to monitor and support the implementation of those recommendations that should strengthen and improve JCA's ability to collect revenues that are due from petroleum and petroleum products imports. PRIDE Jamaica's support will also enable JCA to adjust the training program in order to fully equip Jamaica Customs Officers with the requisite knowledge to accurately account for revenue from petroleum imports. A structured audit framework will strengthen JCA's ability to recover outstanding revenues from audits. It is anticipated that this will also improve voluntary compliance on the part of importers as processes become more transparent and predictable.

In the third quarter of 2013, JCA advised PRIDE Jamaica that it would conduct a post clearance audit on petroleum imports, and in September 2013, PRIDE Jamaica began working alongside

colleagues at JCA to develop and implement the framework for conducting this type of audit. To this end, PRIDE Jamaica provided guidance to JCA, which emphasized the need for certain critical, standardized processes and procedures to be established by the agency in preparation for conducting post clearance audits. PRIDE Jamaica assisted JCA to develop clearly documented procedures, audit guides, monitoring and control procedures and a standardized process outline for conducting a petroleum post clearance audit. PRIDE Jamaica provided additional support to Jamaica Customs to prepare and streamline audit steps and guidelines to conduct the post clearance audit for targeted imports within the petroleum sector.

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

Also reiterated by PRIDE Jamaica is the importance of coordination and cooperation between the audit staff and other Customs Officers who monitor and interface with the importers on a daily basis. PRIDE Jamaica consistently restates the fact that increased presence at importers' offices and facilities discourages fraudulent or negligent activities by the importer and can increase their interest in understanding and complying with customs requirements.

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



Jamaica Customs Audit Team conducting audit questionnaire review with importer. (*PRIDE Jamaica photo*)

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



Jamaica Customs Audit team at Petrojam Ltd. during tour of Laboratory Facilities (*PRIDE Jamaica photo*)

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



Jamaica Customs Agency auditors participate in Audit Working Paper Standards Training with PRIDE Jamaica Petroleum Advisor
(PRIDE Jamaica photo)

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

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

Although at a slower pace than anticipated, the audit is progressing and is being closely monitored by PRIDE Jamaica. This approach will allow PRIDE Jamaica to identify those technical areas where Jamaica Customs may potentially require additional support and assistance and to make recommendations for how this may be achieved. The Jamaica Customs audit team established and met a target date of July 31, 2014 to complete field work and to present a summary of audit findings. PRIDE Jamaica anticipates that work paper finalization and report preparation will be completed in October 2014. The Customs audit team

examined its findings to date, including those issues that are currently being reviewed and quantified. PRIDE Jamaica is coordinating with the audit team on this process, and will review the work paper files and make recommendations to ensure that all findings and recommendations are thoroughly documented and explained.

PRIDE Jamaica has incorporated practical approaches within its various interventions to ensure that there is continuity between those earlier activities that have been supported by the project, and their integration with other pending initiatives. This approach ensures that counterparts receive the most substantive overall impact from the project. The quality of this impact is readily demonstrated in the staged series of petroleum activities that have been conducted with Jamaica Customs. PRIDE Jamaica continues to monitor and support the implementation of those recommendations that should strengthen and improve JCA's ability to collect revenues that are due from petroleum and petroleum products imports.

Authorized Economic Operator (AEO) Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

Jamaica's exporting regime fares poorly in the World Bank's *Doing Business* findings. According to the report, Jamaica requires six documents, 20 days, and costs US\$1530 for export. It takes Jamaican exporters 10 days for document preparation alone, and four days to clear port formalities.

Costa Rica has been hard at work in recent years to streamline export procedures. Using Costa Rica's export procedures as contrast, 5 documents and 13 days are required, with a cost of \$1015. Costa Rica's exporters need only six days for document preparation and two days to clear port formalities. In the overall ranking of 189 economies, Costa Rica ranks at 44, while Jamaica ranks 118th in the *Trading Across Borders* category. Certainly there is adequate room for productivity improvement by streamlining and modernizing Jamaica's export process.

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

Exporting has been the most popular and fastest-growing mode of international market entry, favored especially by small and medium-sized firms since it does not require many resources and is associated with less risk in comparison to other entry modes into foreign markets. Exporting is a crucial business activity for a nations' economic health as it significantly contributes to employment, trade balance, economic growth, and higher standard of living (Lee and Habte-Giorgis, 2004). PRIDE Jamaica will conduct a review Jamaica's export process to determine how greater efficiencies can be achieved.

Working alongside Jamaica Customs, the private sector and other stakeholders, PRIDE Jamaica will conduct a review to determine the primary obstacles to the export trade and recommend alternatives to improve the process and make it more efficient. This is in keeping with ongoing efforts to strengthen the existing AEO program at JCA. PRIDE Jamaica and JCA will lead a three-week study; thereafter, a final report with findings and recommendations will be issued for JCA's consideration and future implementation.

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

Integration of Custom Risk Management Systems and Authorized Economic Operator (AEO) Activities

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

Jamaica Customs has made noticeable strides toward adopting internationally accepted practices. In particular, Customs has applied risk management principles, including implementation of the Authorized Economic Operator (AEO) system; strengthened intelligence, investigation and enforcement capacity through the Border Protection Unit (BPU); increased use of post clearance audit; simplified systems and procedures to facilitate trade and encourage voluntary compliance; and collecting revenue through the introduction of revised processes and ICT. All of the referenced efforts continue to be supported by PRIDE Jamaica, and some have

already been implemented by Jamaica Customs in preparation for automation with the implementation of ASYCUDA World.

Although there have been implementation delays, in 2013 JCA received no objections from the IDB to proceed with the US\$2.6 million system procurement. The 18-month implementation of ASYCUDA World is underway. PRIDE Jamaica worked alongside colleagues at JCA to establish the principles, framework and process for managing risk. Toward this end, PRIDE Jamaica prepared recommendations for Customs risk management, some of which were implemented by Jamaica Customs in preparation for ASYCUDA World implementation.

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

In August 2014, Jamaica Customs hosted a project launch for the implementation of its Integrated Customs Management System – ASYCUDA World. The ASYCUDA World solution is the latest of the Automated System for Customs Data (ASYCUDA) developed by UNCTAD and aims at speeding up Customs clearance through the introduction of simplified processes and procedures which are compliant with international standards and best practices, thus minimizing administrative costs and improving efficiency to the business community. It also provides single window functionality. The system uses modern technology and will improve security, trade efficiency and the fight against corruption while increasing Customs revenue and trade facilitation.

JCA has updated instructions and SOPs, to include two good examples which are a new *Post Clearance Audit Procedures Manual* and the *AEO Manual*. As there is no structured Issuance System¹³ in place at JCA, however, some supervisors and senior officers simply issue formal or informal directives in a discretionary manner, as the need arises.

Since ASYCUDA World will require the drafting of many new procedures and documentation, PRIDE Jamaica recommended the establishment of a new issuance framework for JCA. In preparation for this, PRIDE Jamaica has provided Jamaica Customs with general guidelines and technical assistance for development of the issuance framework as it evolves.

Risk Management – Customs Valuation Branch

Building on the technical assistance that was previously provided by PRIDE Jamaica, JCA continues to make much progress against fraudulent practices that are designed to lower value in order to evade applicable duty charges and taxes. Notably, over the last GOJ fiscal year (April 2013 – March 2014), overall revenue collection for the agency was J\$1.209 billion, some US\$127.68 million, or 12 percent above the previous year. Jamaica Customs reports that as of

¹³ Customs Issuance System (CIS) is a repository of Customs Service records, providing descriptions of circulars, manuals, legal rulings, decisions, and other Customs documents.

June 2014, the year to date (YTD) target for the current fiscal year was US\$251.32 million, while the YTD collection was US\$254.68 million, exceeding the current YTD target by US\$3.3 million, or 1.34 percent. The Jamaica Customs Agency has improved its performance as the second largest revenue collection agency of the state behind TAJ.

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

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

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

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

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

Jamaica Customs clearly understands that security and facilitation goals can and should be mutually supportive. As Jamaica's lead border agency, JCA is responsible for revenue collection and traditional customs responsibilities, which include preventing entry to criminals and their weapons and illicit goods, enforcing related government agency laws and interdicting a range of cross-border threats.

PRIDE Jamaica has encouraged JCA to continue to follow the principle that law enforcement and commerce are interconnected and interdependent. Commerce depends on a uniform, stable and predictable environment for business. In effect, JCA, in its law enforcement role, plays a critical role in creating and protecting those conditions. JCA's enforcement and regulatory activities have significant effects on the Jamaican economy, government agencies

and businesses; therefore JCA's policies, performance and professionalism must be transparent to the Jamaican people and Parliament.

PRIDE Jamaica continues to work alongside JCA to develop and strengthen risk based approaches to customs operations and has provided a series of recommended approaches, which are currently being implemented.

New tax reform measures make special provisions for improving efficiency and customer relations at Customs. Some of the new reform measures include amendments to the Customs tariff in relation to retaining recently changed duties on select energy saving items in keeping with the GOJ-stated energy policy, and reform of the provisions of the Customs Regulations to update the schedule to reflect current best practices and improve administration of the Customs Act.

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

ASYCUDA will establish a modern, flexible, automated foundation for the efficient transmission of data to Customs and other GOJ partner agencies with a border nexus, ensuring the efficient entry and release of cargo as well as exports.

JCA will continue its efforts to transform its business processes, thereby eliminating paperwork, expanding enrolment in trusted traveler programs and deploying technology to minimize wait times at ports of entry. ASYCUDA World will drastically alter the existing manual procedures. With global trade projected to expand by 8 percent annually through 2030 and infrastructure trade projected to grow at a rate of 9 percent and account for over 50 percent of all goods traded globally,¹⁴ Jamaica must ensure that its ports and businesses are capable of helping to capitalize on these opportunities. The GOJ has announced that with the implementation of ASYCUDA World, forecasts from the feasibility study indicate that JCA revenue will increase by 10 to 20 percent. **The implementation of ASYCUDA World ICT system will strengthen transparency, uniformity, standardization and consistency of Customs procedures. ASYCUDA World will improve Customs control and risk-management capabilities.**

While noting comments from trade community leaders that JCA has made real strides in recent years in modernizing and simplifying its trade and business processes, JCA must continue to build on this foundation, as these efforts will present a significant opportunity to foster economic prosperity and security for Jamaica. A critical part of the effort will be JCA's engagement to harmonize and simplify customs practices between the ports and stations, as well as the agency's efforts to minimize transaction costs to the greatest degree possible.

With implementation of the risk management system, JCA for the first time is able to deploy a sophisticated criteria-driven risk management screening system for imports. Revenue and trade

¹⁴ Source: **HSBC Holdings PLC (HSBC)**, Global Trade Forecast Report - HSBC Global Connections October 2013, Link to: <https://globalconnections.hsbc.com/global/en/tools-data/trade-forecasts/global>

compliance will be improved exponentially. International efforts such as the pursuit of CMAAs¹⁵ and MRA¹⁶ must be continued. JCA's AEO program continues to strengthen and evolve with the reinforcement of standards and strong outreach to the Jamaican Trade Community. ASYCUDA World will also allow for limited physical interactions from both customs and trade, which will ultimately result in reduced corruption.

Workload Assessment

Following a direct request from the CEO/Commissioner of Customs, in February 2014, PRIDE Jamaica initiated an activity that will assist with harmonizing the Jamaica Customs Agency's staffing levels and schedules to support the delivery of effective and justified Customs processing. PRIDE Jamaica developed the framework for a workload assessment that will allow JCA to conduct an analysis and respond with the following desired outcomes:

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

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

¹⁵ World Customs Organization (WCO) adopted a model bilateral convention on mutual administrative assistance for countries to implement as part of a national customs policy. Worldwide Customs administrations use this model as a basis for negotiating **Customs Mutual Assistance Agreements (CMAAs)** with other foreign administrations. Domestic and foreign courts recognize each agreement as a legal basis for wide ranging cooperation. Such a legal framework is vital because of explosive growth in the volume and complexity of international trade. The agreements allow for the exchange of information, intelligence, and documents that will ultimately assist countries in the prevention and investigation of customs offenses. The agreements are particularly helpful for countries such as Jamaica which experience great valuation fraud and undervaluation, as each agreement is tailored to the capacities and national policy of an individual country's Customs' administration.

¹⁶ **Mutual Recognition Arrangement (MRA)** refers to those activities associated with the signing of a document between JCA and a foreign customs administration that provides for the exchange of information. The document, referred to as an "arrangement", indicates that the security requirements or standards of the foreign industry partnership program, as well as its verification procedures, are the same or similar with those of the JCA's AEO program. **Mutual Recognition Arrangements (MRA)**, therefore, are bilateral understandings between two customs administrations.

A one-month analysis of Jamaica Customs overtime and mileage timesheets conducted in August 2013 by the SAJ presented a total value of claims of J\$5,887,520.25 (US\$60,000.00). The analysis used a sample pool of 130 timesheets across seven agents and 13 wharves/berths.

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

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

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

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

Executive Agency Designation

As Jamaica Customs transitioned to an Executive Agency (EA), PRIDE Jamaica continued to work with JCA to sustain those reform initiatives that had previously been undertaken, and to provide support to other reform initiatives that are currently underway and are in keeping with the Customs Modernisation Plan (MP).

Jamaica Customs began to operate as an Executive Agency in 2013, following its designation in Parliament. This designation caused a change in the name of the organization from Jamaica Customs Department (JCD), to Jamaica Customs Agency (JCA). As a consequence of EA status, Customs is expected to experience greater accountability, transparency, control and performance improvement. The Agency is currently implementing a number of organizational changes in accordance with its proposed long term Modernisation Plan. JCA anticipates that EA status will usher in significant reductions in turnaround time, improved customer service and cost recovery for more of the services offered by the agency. Among the services to be

implemented and enhanced are the introduction of paperless transactions, the use of a night depository to facilitate 24-hour turnaround time and, in general, increased utilization of information technology, obviating the need for the physical appearance of clients to do business. Since the Jamaica Customs Department was accorded Executive Agency status, it has improved its performance as the second largest revenue collection agency of the State. All programs related to JCA modernization continue to be steadily implemented despite funding challenges that are encountered during execution of the program plan.

Leveraging Assistance from other Donors

The MoFP satisfied the precedent conditions to enable disbursement of IDB loan funds to support tax and customs reform.¹⁷ The MoFP established the coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoFP, and JCA has a representative on the coordinating group. Jamaica Customs will access funding to procure a new risk management system that will improve efficiency of operations allowing JCA to meet revenue targets, and strengthen both internal and external compliance levels.

During January 2013, the IDB notified Jamaica Customs that it could proceed with the RFP to procure the new risk management system. Jamaica Customs also received approval from IDB to publish the procurement notice. This was a major milestone for Jamaica Customs' implementation of its modernization programs. A technical feasibility study was conducted in March 2013 to examine the level of readiness for Jamaica Customs to implement ASYCUDA World, which will serve as the ICT platform for Customs operations. Implementation for ASYCUDA World began in October 2013. The European Union is also providing funding support to the Customs Risk Management (RM) System procurement and will also assist Customs with Business Process Re-engineering as a precondition for procurement of the RM ICT system.

At the request of Jamaica Customs, PRIDE Jamaica facilitated a meeting with representatives of the JCA AEO team and US Government representatives to address wider issues related to security under the AEO Program. During August C-TPAT (Customs-Trade Partnership Against Terrorism) provided support from the US Customs and Border Patrol in Miami, Florida to assist with designing a phased program to enable JCA to achieve the security requirements standards for AEO Program qualification. In October 2013, the IDB provided funding for four (4) AEO Account Managers from Jamaica Customs to travel to Miami, Florida in order to observe the practical application of C-TPAT validation procedures. This is a continuation of the intervention that was supported by C-TPAT in Jamaica.

Jamaica Customs has also indicated that PRIDE Jamaica's ongoing support served to encourage support from the WCO for the AEO program pilot. The Commissioner of Customs had written to the Secretary General of the WCO highlighting the support that has already been received from PRIDE Jamaica toward implementing the AEO program. The Commissioner was able to validate the program's merit and positively influenced a decision from the WCO to provide additional support to Jamaica Customs. JCA confirmed that the WCO responded favorably, and during the program year, the WCO provided the requested support to JCA.

¹⁷ Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, which is likely to total US\$62 million.

2.1.3 Component 4: Legislative Process

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

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

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

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

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

Along with TAJ, PRIDE Jamaica has been a strong advocate of strengthening TAJ's assessment, collection and enforcement authorities and PRIDE Jamaica's work with the LTO identified additional opportunities to strengthen legislation to improve taxpayer compliance. As in other tax jurisdictions, transfer pricing and 'profit shifting' to lower tax jurisdictions are becoming important technical areas where TAJ needs to improve its capabilities. Changes to existing legislation and entirely new legislation, in addition to technical training, will be needed to strengthen TAJ's position to address these issues.

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

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

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

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

PRIDE Jamaica continued its work with JCA to legislate critical amendments to the Customs Act in keeping with Customs modernization. PRIDE Jamaica has continued to advocate for a better approach to the legislative reform process and has encouraged Jamaica Customs to prepare a wholly new legislative framework shaped by the Revised Kyoto Agreement pertaining to

Customs Agencies. This approach has also been supported by the World Bank's review of JCA's legislation. JCA has, however, since opted to proceed with separate packages of updates to the existing legislation. The primary reason being cited for this decision is that JCA wants to proceed as quickly as possible to apply the ASYCUDA system, and in order to do so, certain legislative items need to be established. JCA has expressed concern that should the legislation for technology requirements be bundled with other legislative changes to the existing Act, or if there is an attempt to put forward an entirely new Act, the processes may become stalled. Consequently, in September 2014, the Honourable Minister of Finance tabled the 'ASYCUDA Bill' in Parliament. This was a major benchmark achievement for JCA.

RESULTS

As demonstrated by the PMP Results Reporting Table (Annex 2) and the Results by Indicator (Annex 3), **PRIDE Jamaica achieved, and in several cases exceeded, its targets for the program year.** As a result of PRIDE Jamaica's capacity building and institutional strengthening support, during the past program year **TAJ and JCA collected more than US\$75 million in revenue** by implementing programs developed by PRIDE Jamaica. These results are due, in large part, to the strategic approach PRIDE Jamaica adopted since project start-up, with a further, increased focus on project impact. Another fundamental factor contributing to PRIDE Jamaica's impact and results is the strong working partnerships PRIDE Jamaica has established with its counterparts. These partnerships enable PRIDE Jamaica to work as an integral part of our counterpart organizations, and the strength of these relationships must be recognized to fully appreciate PRIDE Jamaica's successes to date.

Complementing these efforts, PRIDE Jamaica has focused on improving key operational areas with TAJ and Jamaica Customs since project implementation began. These specific efforts are supporting TAJ, JCA and the Government of Jamaica to improve Jamaica's economic position, and are enabling the GOJ to meet stringent benchmarks in the new IMF agreement. Finally, USAID/Jamaica's extremely supportive and collegial working relationship with PRIDE Jamaica, and USAID's leadership role with the Government of Jamaica and international development partners further underscores the project's ability to perform successfully. As a confirmation of **PRIDE Jamaica's success and USAID's leadership, in a historic commitment the Government of Jamaica provided funding to USAID that enabled a contract extension period for PRIDE Jamaica to continue operating.** Without the further funding from the GOJ, PRIDE Jamaica would have prepared to close-out in October 2013. PRIDE Jamaica anticipates project close-out in November 2014.

Based on funding changes over the life of the project, PRIDE Jamaica continued to focus solely on implementation activities with Tax Administration Jamaica and Jamaica Customs, and provided some reform project support to the Ministry of Finance and Planning over the past program year. Building on key findings from previous IMF reports, prior work completed by PRIDE Jamaica, and issues identified by counterparts, PRIDE Jamaica's focus with TAJ addressed essential business process issues to establish, improve and implement systems to improve revenue mobilization. PRIDE Jamaica implemented activities with Jamaica Customs to reduce risk and corruption and improve revenue mobilization, while making it easier for legitimate businesses to operate. PRIDE Jamaica also participated as the only external member on an MoFP committee working to develop an automated process to track requests and

approvals of statutory and discretionary tax relief. The new process being established will provide transparency, accountability and an effective means to accurately measure the impact of tax expenditures on the GOJ's revenue.

Tax administration reform continued to be PRIDE Jamaica's highest priority for implementation. Working with colleagues in Tax Administration Jamaica (TAJ), PRIDE Jamaica and TAJ focused on improving compliance and mobilizing revenue collection. **On the legislative agenda, Parliament passed three key legislative items to improve TAJ's operations, all of which PRIDE Jamaica was actively engaged in.** One of these accomplishments was the long-awaited amendments to existing legislation to establish TAJ as a semi-autonomous revenue authority (SARA). PRIDE Jamaica worked with TAJ over the last four years to consider aspects of the legislative changes, reviewed multiple organization structures and supported TAJ to present its case to the public-private sector committee working on tax reform activities. **Jamaica's Parliament passed an Act to establish TAJ as a semi-autonomous revenue authority.** As a SARA, TAJ will have more direct authority to internally allocate its budget resources toward areas that will strengthen revenue collection. It will also have more flexibility in human resource matters. This additional authority brings with it a higher level of accountability for TAJ, and the organization will begin reporting to a public-private sector management board which will serve as the oversight body. This is a major milestone in TAJ's reform program activities. After the Honorable Minister of Finance confirms an effective date for SARA to commence, TAJ will then be able to begin the hiring process within the SARA structure, which will provide TAJ with an important opportunity to seriously consider its human resource requirements as it staffs the new organization.

TAJ achieved four important legislative milestones during the past program year. During October 2013, Jamaica passed 'The Charitable Organisations Act, 2013', an entirely new piece of legislation that now provides statutory tax treatment for qualified charities. The Act provides substantial improvement in transparency regarding the application for and use of tax free treatment for charitable organizations. The approval process to qualify for tax relief under the Act will substantially strengthen TAJ's ability to monitor compliance. **The new 'Fiscal Incentives Act, 2013' was passed by Parliament in November.** The Act will enable TAJ to more easily track the use of statutory incentives by taxpayers, thereby strengthening compliance and enforcement; it will also strengthen the MoFP's budgeting process with access to information regarding the value of statutory incentives utilized, and the impact on revenue.

PRIDE Jamaica's work with the TAJ identified additional opportunities to strengthen legislation to improve taxpayer compliance. **Parliament passed the Tax Penalties (Harmonisation) Act 2014 and The Tax Collections (Miscellaneous Provisions) Act 2014 during this reporting period.** The Tax Penalties (Harmonisation) Act standardizes penalty rates applied to delinquencies across various tax types. Previously, different penalty rates were applied based on the type of tax. The Tax Collections (Miscellaneous Provision) Act creates enforcement mechanisms for the tax authorities, which, while not novel in concept, are very novel in execution.

In June 2013, Parliament amended the Revenue Administration Act to provide Tax Administration Jamaica with greater access to third party information to improve taxpayer compliance. The amendments will expand the scope of TAJ's Commissioner General to request information from third parties who have information pertinent to a taxpayer's activities without having to obtain a court order to request and receive the information. Prior to the amendments, secrecy provisions of other legislation hampered TAJ's ability to easily and effectively assess a taxpayer's revenue position during the course of an audit or investigation.

In the area of tax operations, PRIDE Jamaica continued to work with TAJ across a wide range of operational areas. With a substantial backlog of tax arrears cases on its ledgers, TAJ continued to prioritize these cases for collection and, to improve case closure, applied the new treatments for High and Medium cases previously developed with PRIDE Jamaica. PRIDE Jamaica also mentored counterparts in the Tax Arrears Management Unit (TAMU) in Programmes to prepare TAJ's Fiscal Year (FY) 2013-2014 Tax Arrears Management Annual Plan.¹⁸ Utilizing the new procedures, **TAJ closed 10,755 High and Medium priority cases, valued at over US\$22,595,400.**

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

Part of PRIDE Jamaica's support included ongoing focus with TAMU to conduct case reviews, provide feedback to assistant general managers and highlight the importance of submitting timely, accurate and complete reports regarding work completed. Throughout the program year, PRIDE Jamaica worked closely with TAMU to improve the quality and timeliness of work by Compliance Officers to more effectively close tax arrears and compliance program cases. In preparation for the current 2014/2015 fiscal year, **PRIDE Jamaica worked with TAMU to develop the framework for the FY 2014/2015 TAM Annual Plan.** TAJ began implementing the FY 2014/2015 Tax Arrears Management Annual Plan on April 1, 2014, the start of the GOJ's new fiscal year. The Forensic Data mining Unit (FDU) and TAMU have implemented and incorporated operational recommendations from PRIDE Jamaica that will enable TAJ to focus on those cases that are the highest priority in terms of dollar value and other selection criteria. **TAJ collected a total of US\$13,936,500 from compliance leads (C-leads) cases during the past fiscal year.**

Implementing risk-based assessments to select audit cases and improving the audit management function have been other areas of ongoing strategic focus for PRIDE Jamaica and TAJ. PRIDE Jamaica continued supporting TAJ to improve tax compliance by implementing risk-based computerized scoring systems to select cases for audit. PRIDE Jamaica also worked with the Audit Unit during the program year to develop a new and expanded comprehensive training program for TAJ's audit managers. **In preparation for the GOJ's current fiscal year, PRIDE Jamaica and TAJ's Audit and Investigations Unit (AIU) developed the FY 2014/2015 Annual Audit Plan.**

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

¹⁸ The Government of Jamaica's fiscal year begins on April 1 and ends on March 31.

PRIDE Jamaica has been working closely with the Large Taxpayer Office (LTO) since December 2011 to strengthen its abilities to conduct audits in high priority sectors and improve taxpayer compliance. Throughout the implementation of this activity, PRIDE Jamaica has worked closely with TAJ to strengthen capacity and institutionalize this capability. As the LTO began preparing to conduct audits in the large retail sector, PRIDE Jamaica completed a first review of LTO's pre-assessment activities. To assist their efforts, **PRIDE Jamaica prepared additional data analysis training materials to strengthen LTO's use of computer-based data analysis tools.** LTO will apply these tools to the upcoming audits in the large retail sector and to audits it conducts in other sectors.

The Ministry of Finance and Planning (MoFP) satisfied the conditions precedent to enable disbursement of IDB loan funds to support tax and customs reform.¹⁹ The MoFP established a coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoFP, and TAJ and JCA each have a representative on the coordinating group. The IDB notified TAJ and JCA early in 2013 that each could proceed with their respective RFP's to procure new IT systems. This is a major milestone that resulted from almost 3 years of work by TAJ and PRIDE Jamaica. This effort began in June 2010, when PRIDE Jamaica supported TAJ to prepare a complete costing of the tax administration reform program. Support from PRIDE Jamaica to TAJ to reach this milestone included re-engineering TAJ's core business processes, preparing the Request for Proposal, and participating on the technical evaluation committee.

PRIDE Jamaica's work with Jamaica Customs Agency (JCA) enabled customs to introduce risk management; apply risk management principles to cargo selectivity and criteria management; institute account management in the AEO program; introduce security measures to AEO; improve and simplify entry processing; and refine and issue new simplified directives. These activities all represent the primary contributing factors to Jamaica's improved 2014 global logistics ranking at 70 out of 160 nations. Jamaica improved faster than most of the world, falling below triple-digits for the first time in the 2014 study entitled 'Connecting to Compete 2014 - Trade Logistics in the Global Economy,' published by the World Bank. **Nations were ranked using the Logistic Performance Index (LPI), which measures the time, cost and reliability to transport goods using air, sea and rail transport. Jamaica received its highest indicator sub-rank for customs at 54 out of 160 nations.**

Support from PRIDE Jamaica, including a review of Jamaica Customs' risk management framework, assisted customs with preparation of the RFP and significantly impacted JCA's conduct of the final review and selection processes. **JCA completed the procurement of its integrated ICT customs management system, ASYCUDA World, in August 2014, and has begun implementation of the new system.** Assistance from PRIDE Jamaica is enabling JCA to update the critical risk parameters that will be established by the system. **ASYCUDA World will improve Customs control and risk management capabilities, and will facilitate voluntary taxpayer compliance, improve revenue collection, and reduce risk.** With the acquisition and implementation of ASYCUDA World, a 10%-20% increase in revenue collection is estimated for JCA due to comprehensive automation. **The implementation of ASYCUDA World ICT system will strengthen transparency, uniformity, standardization and consistency of Customs procedures.**

¹⁹ Jamaica Customs, the Central Treasury Management System and the MoFP Debt Management Unit all received funding under the IDB loan.

PRIDE Jamaica continued its work with JCA to legislate critical amendments to the Customs Act in keeping with Customs modernization, and has continued to advocate for a better approach to the legislative reform process. Jamaica Customs has been encouraged by PRIDE Jamaica to prepare a wholly new legislative framework shaped by the Revised Kyoto Agreement pertaining to Customs Agencies. JCA has, however, since opted to proceed with separate packages of updates to the existing legislation. The primary reason being cited for this decision is that JCA wants to proceed as quickly as possible to apply the ASYCUDA system, and in order to do so, certain legislative items need to be established. **In September 2014, the Honourable Minister of Finance tabled the 'ASYCUDA Bill' in Parliament. This was a major benchmark achievement for JCA.**

PRIDE Jamaica worked with JCA and TAJ's Excise Division to prepare a Petroleum Audit Survey Interview Questionnaire that JCA utilized during the conduct of a post clearance audit for the petroleum sector. PRIDE Jamaica also worked alongside JCA to develop an Audit Plan which articulates in greater detail the performance steps for audit. PRIDE Jamaica's support to facilitate coordination between TAJ's Excise Division and the Post Clearance Audit (PCA) and Sufferance Wharves units at Jamaica Customs is enabling both audit teams to collaborate during conduct of the audit and to regularize the petroleum trade. With support from PRIDE Jamaica, TAJ Excise Officers and JCA are better integrating their operations. JCA reported that its ability to monitor the movement of petroleum products and to account for revenues due from petroleum imports have been significantly strengthened as a direct result of improved communication and inter-agency collaboration with TAJ. Guided by recommendations from PRIDE Jamaica, both agencies have agreed to the preparation and conduct of future joint audits for the petroleum sector. **This has resulted in improved Customs operations, reducing risk to revenue and increasing transparency among operators in the petroleum sector.**

The Petroleum Audit Technical Guide, also developed by PRIDE Jamaica, serves as a resource tool that can be referenced by the Customs audit group when specific issues arise in relation to the audit steps for the petroleum sector. The guide will be utilized by Jamaica Customs as a working tool and technical resource that is to be improved upon as additional experience is gained and applicable information becomes available. This material will result in the Post Clearance Audit (PCA) Division having the most comprehensive and effective audit resource and training tool for conducting an audit in the Jamaican petroleum industry.

PRIDE Jamaica also worked with JCA to develop a comprehensive petroleum audit program, including specific audit steps to address the petroleum industry and to ensure thorough audit coverage. This product was reviewed and coordinated with the Audit Division staff and appropriate training was provided for the audit team to emphasize the importance of thorough preparation and effectively managing the process throughout the audit. **PRIDE Jamaica provided training to 24 new Account Managers that allowed JCA to implement standardized guidelines to measure petroleum and petroleum products imports. This is enabling JCA to assess the appropriate revenues due and payable on the petroleum imports.**

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

of the audits while building the confidence of the auditors as well as respect for their work product within Customs and the importing community.

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

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

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

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

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

Lastly, PRIDE Jamaica continued to incorporate a strong partnership approach with all of its implementation partners to achieve results. This approach has led to very close working relationships with stakeholders. It provides access to decision makers, enables open and ongoing communication with counterparts, supports real ownership by partners of the assistance that PRIDE Jamaica offers, builds human and institutional capacity, and supports sustainability of new, improved approaches. With resources focused on tax administration and customs reform, PRIDE Jamaica will continue to vigorously assess expected results to ensure that final implementation activities maximize impact through the remainder of the program's tenure.

ANNEX 1 COUNTERPART CONTRIBUTIONS

October 2013 – September 2014

Component	USD Amount	Notes
Tax Policy and Administration	1,648,211.03 ²⁰	This includes proportional amounts of TAJ salary and facilities allocated to implementing tax administration reform work, as well as funding provided by the GOJ directly to USAID/Jamaica to fund PRIDE Jamaica activities.
Business Licensing and Other Competitiveness Areas		This amount was provided by the GOJ directly to USAID/Jamaica to fund PRIDE Jamaica activities to support customs administration reform activities.
<ul style="list-style-type: none"> • Jamaica Customs Reform 	623,578.04 ²¹	
TOTAL	2,271,789.07	

²⁰ Of the US\$1,648,211.03 total, US\$818,959 is in-kind contributions from TAJ and US\$829,252.03 was provided by the MoFP to USAID to fund PRIDE Jamaica activities.

²¹ This figure represents funds provided by the MoFP to USAID to fund PRIDE Jamaica activities.

ANNEX 2 PMP RESULTS TABLE

PRIDE Jamaica Results – October 1, 2013 - September 30, 2014

Performance Based Management System

Results and Related Performance Indicators ¹	Baseline	2010 Target ²	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 Results
IR1: Key Policies, Regulations and Processes Improved											
Sub-intermediate Result 1.1 Key Economic Reforms Implemented											
Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.		1	2 ³	5	8 ⁴	5	8 ⁵	3	4 ⁶	2	2 ⁷
Sub-intermediate Result 1.2 Institutional Capacity for Administration Strengthened											

¹ Indicators and targets do not include activities for Land Policy and Administration. Indicators and targets were to be adjusted when USAID/Jamaica and PRIDE Jamaica identified component activities to implement. In line with reduced program funding, USAID/Jamaica advised PRIDE Jamaica not to undertake activities in this component area.

² Represents the period March 11 – September 30, 2010, Year 1 of the project. 2011 information represents the period October 1, 2010 through September 30, 2011.

³ Outputs include Tax Administration Jamaica (TAJ) fully costed modernization implementation plan, and analysis and recommendation to support procurement of a commercial off the shelf (COTS) information technology solution.

⁴ Outputs include reengineered business processes for TAJ Taxpayer Services, Returns Processing and Revenue Accounting, Audit, and Collection; new structure and processes for Budget and Analytics Unit; draft of a new Tax Procedures Act; Performance Management Reporting Formats; criteria to identify and select high risk Corporate Income Tax cases for audit.

⁵ Outputs include criteria to identify and select high risk General Consumption Tax cases for audit; criteria to identify and select high risk Personal Income Tax cases for audit; new Annual Audit Plan methodology incorporating case selection criteria; new prioritization system for tax arrears; new treatments for 'High', 'Medium', and 'Low' arrears cases; new Annual Debt Management Plan methodology incorporating arrears prioritization system and new treatments; new forms and procedures to work tax arrears cases, included in a new Debt Collection Handbook; new procedures to identify and implement taxpayer compliance improvement programs.

⁶ Outputs include framework for Debt Write-Off Legislation; Procedures and Guidelines for Professionals Taxpayer Compliance Program; FY 2013/2014 Annual Work Plan for Taxpayer Compliance Improvement; and draft SOP Manual for Arrears Collection.

⁷ Includes recommendations to TAJ on proposed policy guidelines for designating tax arrears cases as uncollectible in accord with the recent 'Tax Collection Act for Arrears Write-off' and SET Manager's Guide.

Results and Related Performance Indicators ¹	Baseline	2010 Target ²	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 Results
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.		1	1 ⁸	4	7 ⁹	3	7 ¹⁰	2	2 ¹¹	2	2 ¹²
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7 ¹³	2	5 ¹⁴	2	3 ¹⁵	1	5 ¹⁶
IR2: Private Sector Capacity to Participate in Reforms Increased											
Sub-intermediate Result 2.1 Private sector partnerships and collation-building strengthened											
Number of Public-Private Dialogue mechanisms utilized as a result		3	3 ¹⁷	5	6 ¹⁸	2 ¹⁹	4 ²⁰	2	2 ²¹	0	0

⁸ Includes ACRE Task Force assessment of pilot operations of the DAC.

⁹ Includes Tax Administration Jamaica (TAJ), the Tax Policy Division of the Ministry of Finance and the Public Service and the Economic Management Division of the Ministry of Finance and the Public Service, ACRE Task Force assessment of pilot operations of the DAC, CBSI funding for Import/Export Mapping, CBSI funding for development of a Risk Management Framework for Jamaica Customs, and the Assessment of a Regulatory Framework for the Microfinance Institution Sector (this included an assessment of the role of the Development Bank of Jamaica).

¹⁰ Includes Tax Administration Jamaica; assessment of Jamaica Customs for the Petroleum Monitoring Unit and Customs Valuation; Single Window Assessment of Ministry of Agriculture, Ministry of Health, JAMPRO, The Trade Board, Bureau of Standards Jamaica.

¹¹ Includes Tax Administration Jamaica in Tax Arrears Management, implementation of taxpayer compliance improvement programs, and implementation of the 2012/2013 Annual Audit Plan. Includes Jamaica Customs application of updated AEO program qualifications and petroleum monitoring guidelines.

¹² Includes TAJ for recommendations on proposed policy guidelines for designating tax arrears cases for write-off in accord with the recent 'Tax Collection Act for Arrears Write-off'; review of SET operations in TAJ; institutionalized risk based approaches for JCA; workload assessment of overtime requirements; and Jamaica Customs Agency in the area of conducting post-clearance audits of petroleum products.

¹³ Includes review of Assessment, Collections, and Enforcement framework for TAJ, ACRE Task Force for Development Approvals, Legal Opinion for statutory enabling of a two-tiered system for development approvals, CBSI funding of the Mapping of the Import/Export Process with the Trade Community System Partnership, CBSI funding of the Development of a Risk Management Framework for Jamaica Customs Modernization, Assessment for a Microfinance Institution Regulatory Framework, and Economic Impact Analysis of Mobile Financial Services in Jamaica.

¹⁴ Includes RFP Development for a new COTS IT system for TAJ; RFP Development of Risk Management Framework for Jamaica Customs; Jamaica Single Window Preparedness Assessment; Framework for Petroleum Monitoring Unit for Jamaica Customs; Review and assessment of Customs Valuations Procedures.

¹⁵ Includes training, design and implementation of petroleum measurement procedures at Jamaica Customs; assessment of JCA post-clearance audit capabilities in the petroleum sector; and updating and implementation of new procedures for Jamaica Customs AEO program.

¹⁶ Assessing performance of SET operations in TAJ; establishing performance management indicators for the Investigations Unit; new issuance assessment for JCA; workload assessment for overtime requirements in JCA; establishing a Customs Issuance System; improving capacity to conduct joint TAJ/JCA post-clearance audits in the petroleum sector.

¹⁷ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

¹⁸ Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

¹⁹ PRIDE Jamaica completed implementation activities in several component areas as a result of reduced funding, and in accord with guidance from USAID/Jamaica. As a result PRIDE Jamaica will engage with fewer Public-Private Dialogue mechanisms in 2012. The target was changed from 4 to 2.

²⁰ Includes Executive Steering Committee, Tax Administration Reform Program; Trade Community System Partnership for Import/Export; Single Window for Trade Consultations with public-private Coalition; Youth Upliftment for Employment (YUTE).

²¹ Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

Results and Related Performance Indicators ¹	Baseline	2010 Target ²	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 Results
of USG assistance.											
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8 ²²	--- ²³	---	--- ²⁴	---	0	0
Sub-intermediate Result 2.2 Private sector role in advocacy and policy dialogue increased											
Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.		3	3 ²⁵	5	6 ²⁶	2 ²⁷	4 ²⁸	2	2 ²⁹	0	0
Number of changes made to business enabling environment.		---	---	4 ³⁰	4 ³¹	2 ³²	5 ³³	2	6 ³⁴	2	7 ³⁵

²² Includes Jamaica National Small Business, Bank of Nova Scotia Foundation, First Union, COPE, Micro-Credit Limited, Nation's Growth, and Micro-Enterprise Finance Limited. Members of the Jamaica Microfinance Alliance also receiving assistance through their organization.

²³ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 9 to 0.

²⁴ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 12 to 0.

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

²⁶ Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

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

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

²⁹ Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

³⁰ This target included a revised legal framework for Commercial Alternative Dispute Resolution (CADR). After the PMEPP was finalized PRIDE Jamaica was advised that the Minister of Justice was not prepared to proceed with the legislative changes in the near future. This target also included a Rules Engine for Development Approvals. After the PMEPP was finalized USAID/Jamaica provided guidance to PRIDE Jamaica to complete activities on Development Approvals by March 31, 2011. These two items will have an impact on achieving the overall target during the program year.

³¹ Includes revised operating procedures to the DAC provided by ACRE Task Force; Tabling of the National Building Code; Codified mapping of import/export procedures; and, revised Risk Management Framework implemented by Jamaica Customs.

³² Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in several components earlier than expected. As a result, the target was changed from 3 to 2.

³³ Implementation of Risk Framework for Audit Case Selection by TAJ; Implementation of Revised Cargo Entry Processes at Jamaica Customs; Implementation of Petroleum Monitoring Measures by Jamaica Customs; Implementation of revised Jamaica Customs valuation procedures; Additional trained personnel available in the workforce through YUTE – 44 jobs created through 10/2011.

³⁴ Includes new Debt Write-Off Legislation for TAJ; new legislation establishing TAJ as a semi-autonomous revenue authority (SARA); amendments to Revenue Administration Act allowing access to third party information; amendments to the Jamaica Customs Act establishing Jamaica Customs as an Executive Agency; Petroleum Monitoring Measures with JCA; and, implementation of new AEO processes.

³⁵ Includes piloting of new online application for 20% Motor Vehicle Concession; proposed policy guidelines for designating tax arrears cases as uncollectible in accord with the recent 'Tax Collection Act for Arrears Write-off'; Amendments to the Tax Collection Act to strengthen TAJ collection authorities; integration of Risk Management principles in JCA operations; workload assessment for JCA overtime requirements; JCA Technical Guide for Petroleum Audits; development of organizational structure of new AEO Unit at JCA and, establishing a Customs Issuance System.

ANNEX 3 RESULTS BY INDICATOR

PRIDE Jamaica

October 2013 – September 2014

INDICATOR 1: *Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.*

Target for Year 4: 2

Actual to date for Year 4: 2

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Proposed policy guidelines for designating tax arrears cases as ‘uncollectible’

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

1.2 New SET Manager’s Manual

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

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

Target for Year 4: 2

Actual to date for Year 4: 2

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Proposed policy guidelines for designating tax arrears cases as ‘uncollectible’

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

1.2 SET Operations

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

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 Institutionalized risk based approaches to Customs operations

During October 2013, PRIDE Jamaica supported JCA to complete a revised JCA Risk Management Register, thereby improving human resource capacity and strengthening JCA’s procedures. PRIDE Jamaica conducted further reviews of the risk register and other

statistical information to validate the scores for risk management to ensure that the risk register is credible.

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

2.2 Workload assessment

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

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

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

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

Target for Year 4: 1

Actual to date for Year 4: 4

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Assessing performance of SET operations

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to

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

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 New Issuance Framework

As ASYCUDA implementation approaches, the need for uniform, clear and easily understood instructions for Customs Officers and the Trade Community is evident; however, as there is no structured Issuance System⁵⁷ in place at JCA, some supervisors and senior officers simply issue formal or informal directives in a discretionary manner. PRIDE Jamaica recommended the establishment of a new issuance framework for JCA. In preparation for this, PRIDE Jamaica provided Jamaica Customs with the general guidelines and provided additional technical assistance as development of the issuance framework evolved.

2.2 JCA Workload assessment

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

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

PRIDE Jamaica's prior support to facilitate coordination between TAJ's Excise Division and the Post Clearance Audit (PCA) and Sufferance Wharves teams at Jamaica Customs is enabling both audit teams to collaborate during conduct of the audit. The collaborative approach is further strengthening JCA's efforts to regularize the petroleum trade. PRIDE Jamaica provided assistance to JCA to address the challenges arising during the course of

⁵⁷ Customs Issuance System (CIS) is a repository of Customs Service records, providing descriptions of circulars, manuals, legal rulings, decisions, and other Customs documents.

a petroleum industry audit, including developing methods of accounting for revenues from duty for manufactured products. The joint audit is improving efficiencies, eliminating duplication of efforts and minimizing disruption to the company's operations.

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

Target for Year 4: 0

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

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

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

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

Target for Year 4: 2

Actual to date for Year 4: 7

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

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

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

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

Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that TAJ staff resources allocated to designating and preparing tax arrears cases for write-off are balanced with activities to close open, revenue generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures that designates arrears cases as 'uncollectible' and 'ready for write-off' and recommended additional guidelines to standardize the processes and simplify

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

1.3 Amendments to the Tax Collection Act

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

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 Integration of risk management principles in Customs operations

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

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

2.2 JCA Workload assessment

PRIDE Jamaica engaged with the Trade Community and worked with Jamaica Customs to develop a framework to review the current state of overtime management at Jamaica Customs and the recommended level of oversight for JCA Officers who are required to work overtime. PRIDE Jamaica recommended procedures and guidelines to assist JCA to

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

2.3 Technical Guide for Petroleum Audits

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

2.4 Organizational Structure for a New AEO Unit

PRIDE Jamaica developed and proposed an organizational structure with staffing for a new Authorized Economic Operator (AEO) Unit within Jamaica Customs. It is anticipated that the 40-person unit will report to the Deputy Commissioner/Deputy CEO. The growth of this unit is to be directly tied to the growth of the number of AEO program participants. Other customs administrations have found that one customs account manager can adequately handle a range of between 5 and 20 companies. This structure will lay the foundation for improved private sector compliance, which in turn will result in stronger Jamaican borders, critical collection of revenue and improved voluntary compliance by the private sector, which supports trade facilitation and economic growth.

ANNEX 4

Government Extends US\$1.7M PRIDE Jamaica Programme

Sunday, 07 April 2013 21:08

Written by JIS



Financial Secretary, Ministry of Finance and Planning, Devon Rowe (centre); Mission Director, United States Agency for International Development (USAID), Denise Herbol (right); and Commissioner of Customs, Major Richard Reese, exchange copies of the recently signed letter of intent for the extension of the PRIDE Jamaica Programme, during a ceremony at the Ministry of Finance in Kingston on April 5.

The Government of Jamaica has signed a letter of intent with the United States Agency for International Development (USAID), for the extension of the PRIDE Jamaica Programme, which is expected to bring about continued improvement in the tax administration system.

The Promote, Renew, Invigorate, Develop, and Energize (PRIDE) Jamaica project, which is being funded at a cost of US\$1.7 million, is in its second phase, and is expected to continue until March 2015.

Under the initiative, the USAID will provide technical assistance to the Tax Administration Jamaica (TAJ), and other stakeholders to simplify and broaden the tax base in Jamaica. This will be done by improving tax administration, streamlining processes to make it easier and simpler for taxpayers to comply, and harmonising tax policy and legislation.

Speaking at the signing ceremony held at the Ministry of Finance and Planning in Kingston, on April 5, Financial Secretary at the Ministry, Devon Rowe, said the Government is pleased to continue its partnership with the USAID.

He noted that the partnership is a demonstration of the Ministry of Finance's commitment to tax reform and also in ensuring that the gains, which have been achieved so far, are consolidated.

"It is important that some of the issues that are being covered under the programme relate to risk management and improved auditing in the TAJ. And given the limited resources that the departments have, it's important for us to utilise those resources as strategically as possible," he stated.

ANNEX 5

PRIDE Jamaica CALENDAR

September 2014

DATE	TIME	EVENTS/MEETINGS	PARTICIPANTS	VENUE	NOTES
Wed. Sept. 3	2:00 p.m.	Preparations for Compliance Programs Training	TAJ: E. Foreman PRIDE Jamaica: L. Grant, L. Bolle	TAJ	
Thur. Sept. 4	11:00 a.m.	Planning Meeting for PRIDE Jamaica Close-out	JCA: P. Wiggan-Chambers PRIDE Jamaica: L. Grant	JCA	
Mon. Sept. 8		Lou Bolle Arrives			Flight delays caused missed connection. Originally scheduled to arrive Sun. Sept. 7.
Mon. Sept. 8	2:30 p.m.	Jamaica Customs ASYCUDA Implementation	JCA: I. Channer; O. Martin; P. Wiggan-Chambers PRIDE Jamaica: L. Grant	JCA	
Thur. Sept. 18	10:00 a.m.	Tax Arrears Management Review	TAJ: Y. Pottinger PRIDE Jamaica: L. Bolle; L. Grant	TAJ – East Street	
Thur. Sept. 18	11:00 a.m.	Special Enforcement Teams Training Review	TAJ – Michael Williams PRIDE Jamaica: L. Bolle; L. Grant	TAJ – East Street	
Tues. Sept. 23	2:30 p.m.	Review of Barriers to Trade for Exports papers for upcoming 3-weeks Study	JCA: Marsha Wilson PRIDE Jamaica: L. Grant	JCA	
Mon. Sept. 29	10:00 a.m.	Post Clearance Audit Techniques Training Plan	JCA: G. Dennis-White PRIDE Jamaica: L. Grant	JCA	