Specific Contract N° 2012/286729

Framework Contract EuropeAid: 127054/C/SER/multi - Lot 11
Macro economy, Statistics, Public Finance Management

Repeat PEFA Assessment - Jamaica

Final Report

March 2013

Project coordinated by ADE in association with Particip GmbH and ATC Consultants

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"This report has been prepared by Mr. Jorge Shepherd and Mr. Jérôme Dendura with the assistance of the European Union. Its contents are the sole responsibility of Particip and can in no way be taken to reflect the views of the European Union."

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Acronyms and Abbreviations

AC	Audit Committee
AGAs	Autonomous Government Agencies
AGD	Accountant General's Department
AUGD	Auditor General's Department
BOJ	Bank of Jamaica
CDB	Caribbean Development Bank
CG	Contractor General
CIF	Cost Insurance Freight
COA	Chart of Accounts
COFOG	Classification of the Functions of Government
CS-DRMS	Commonwealth Secretariat-Debt Recording Management System
CTMS	Centralized Treasury Management System
DFID	Department for International Development (UK)
DPP	Director of Public Prosecution
EU	European Union
FAA	Finance Administration and Audit Act
FINMAN	Financial Management System (Jamaica)
FPP	Fiscal Policy Paper
FRF	Fiscal Responsibility Framework
GAG	General Assistance Grant (to LGAs)
GCT	General Consumption Tax
GFS	Government Finance Statistics
GNI	Gross National Income
HOPE	Head of Procuring Entity
IA	Internal Audit
IAD	Internal Audit Directorate
IAU	Internal Audit Unit
IDB	Inter-American Development Bank
IDPs	International Development Partners
IFMS	Integrated Financial Management System
IIA	Institute of Internal Audit
IMF	International Monetary Bank
INTOSAI	International Organization of Supreme Audit Institution
IPS	Interest and Penalties (tax)
JDX	Jamaica Debt Exchange
LGAs	Local Government Agencies
LPAC	Local Public Accounts Committee
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goals
MOE	Ministry of Education
MOFP	Ministry of Finance and Planning
MOH	Ministry of Health
MOLG	Ministry of Local Government

MTAP	Medium Term Action Plan
MTEF MTF	Medium Term Expenditure Framework Medium Term Social Economic Development Plan
MTFF	Medium Term Fiscal Framework
NAO NCC	National Authorising Office National Contract Commission
OCG OECD	Office of the Contractor General Organization for Economic Cooperation and Development
OSC PAAC	Office of the Services Commissions Public Administration and Appropriations Committee
PAC PAPU	Public Accounts Committee Procurement and Asset Policy Unit at MOFP
PAYE PB	Pay As You Earn (tax) Public Body
PBMA PEs	Public Bodies Management Accountability Act Public Enterprises
PED PEX	Public Enterprises Division Public Expenditure Division
PIU PFM	Project Implementation Unit Public Financial Management
PIOJ	Planning Institute of Jamaica
PRF PSED	Parochial Revenue Fund Public Sector Establishment Division
PSMP PSRU	Public Sector Modernization Programme Public Sector Reform Unit
PSTU PXPC	Public Sector Transformation Unit Public Expenditure and Policy Coordination Division
SAGA SARA	Semi-Autonomous Government Agency Semi-Autonomous Revenue Agency
SBP SCT	Strategic Budget Paper Special Consumption Tax
TAD TAJ	Tax Appeals Department Tax Administration Jamaica
TCC TSA	Tax Compliance Certificate Treasury Single Account
TRN UNDP	Tax Registration Number United Nations Development Programme
UNICEF	United Nations' Children Fund
USAID WDI	United State Aid Agency for International Development World Development Indicators

Currency and exchange rate
Currency unit-Jamaican Dollar (J$)
US$ 1 = J$86.08

Fiscal Year
April 1 to March 31

Summary Assessment

Objective and coverage of the Report

The objective of this Public Finance Management Performance Report (PFM-PR) is to provide an update of the status of public financial management in the central government of Jamaica as of March 2012 in order to measure progress since the last assessment in 2007 (insofar as indicators are comparably scored) to provide a basis for Government/donor dialogue on future PFM reforms and to provide a reference for future assessments. The report covers the period between FY 2009/10 and FY 2011/12.

An introduction Chapter of the report presents the context and the process of preparing the report and the share of the public expenditure captured. Chapter 2 covers country-related information necessary to understand the assessment of PFM performance. The PFM performance assessment and the progress of reforms made over the past three fiscal years are presented in Chapter 3 of this report. Ongoing reforms and other developments are described in Chapter 4.

Scope and methodology

The assessment is based on the PFM Performance Measurement Framework[1], revised in January 2011, an integrated monitoring framework that allows for the measurement of country PFM performance over time. The assessment concentrates on central government and also takes into account the Government's relationships with local governments and public enterprises. The report encompasses the entire spectrum of PFM activities from the linking of policies to plans, budget formulation and preparation, budget execution, accounting, reporting and control to external oversight and legislative scrutiny. It assesses the current status of PFM in Jamaica against the internationally agreed indicators.

The actual status of PFM in Jamaica is scored against the 31 high level indicators set out in the Framework and an analysis is made to compare to the assessment of 2007 and measure the progress in performance. The Framework identifies six critical dimensions of performance of an open and orderly PFM system and also assesses donor performance. The overall findings of this assignment are grouped under these dimensions.

Integrated assessment of PFM performance

The assessment of PFM performance and the progress of reforms made over the past three fiscal years show that positive steps have been taken, leading to certain improvements in a number of important areas. The assessment, however, also points to several weaknesses in PFM systems and processes that have appeared since the last PEFA assessment in 2007.

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1 The current version of the PFM Performance Measurement Framework can be accessed under: http://www.pefa.org/en/content/pefa-framework-material-1.

Credibility of the budget

Overall, budget credibility has improved since FY 2009/10, with the indicators 1-2 reflecting lower and relatively small deviations in aggregate expenditures and composition of expenditure out-turns. While fiscal discipline appears to be good, this may not necessarily be because Government has applied all the right tools to achieve this in the most effective manner (reference weak scores in indicators PI-16, PI-20, PI-21 and PI 24). Instead, the reasons for this could include other factors such as cash rationing and expenditure offsets in face of constantly adverse external conditions in recent years and weak spending capacity—the global recession on Jamaica led to reduced tax and customs collections, which fell 5% short of budget in two of the three past fiscal years.

The variations between actual expenditures and originally approved budgets, depending on the year, have been greater when looking at the expenditure composition within most ministries, departments and agencies (MDAs). There are several reasons for these deviations, including shifting priorities during the year, uneven implementation capacity, and unrealistic budgeting. It is also evident that certain expenditure categories have suffered cuts across the board due to macro-fiscal considerations and cash shortfalls.

Noticeably, spending restraints led to important shifts between wages and salaries on one hand and domestically-funded capital expenditure (Capital A) on the other. An analysis of Government expenditure shows that the former remains the largest share of the budget. It is far above regional standards, although it declined moderately over the past three years. Conversely, the share of Capital A expenditure rose rapidly, thus denoting increases of public investment in economic and social sectors.

The credibility of the budget is hampered by the shortfalls between projected and outturn revenues (PI-3). As reported by revenue agencies, fiscal targets appear to be higher than achievable, without sufficient reforms taking place such as changes to the legal and regulatory framework.

Budget resources were allocated to contingency items in amounts creating no concern to fiscal management, aimed mainly at the clearance of salary and non-salary expenditure arrears. The stock of expenditure payment arrears shows a downward trend over the past three years to a level posing no major threats. Moreover, authorities considered the introduction of commitment controls an important feature to avoid a major build-up of arrears and to further support fiscal discipline.

Finally, budget credibility is a function of oversight exercised by Parliament. In Jamaica, this oversight is de facto impaired by the timing of the submissions of estimates of expenditure, estimates of revenues and the Fiscal Policy Paper (FPP). Although the Fiscal Responsibility Framework (FRF) has introduced new submissions to be reviewed and debated by the Parliament, both the House of Representatives and the Senate receive the FPP after their debate on expenditures. The estimates of expenditures and the estimates of revenue are still tabled and debated independently from one another. Further, the relevant legislative Committees which met reported limitations in discharging their functions due to capacity constraints to make the analysis required.

Comprehensiveness and transparency

Information in budget documents is comprehensive: the budget classification is broadly compatible with international standards and recurrent and development expenditures are presented in a single framework. The extensive budget documentation (dispersed in various and often long reports) comprises a complete series of economic and financial information and could be simplified and consolidated in one single/composite budget document.

Detailed budget preparation manuals are issued by the Ministry of Finance and Planning (MOFP) to MDAs and separately to local government authorities, although there is no clear budget call circular. Indeed, the practice of using two circulars, one dealing with expenditures and the other with revenues is a direct limitation to implementing the FRF.

Jamaica, however, does not score well on comprehensiveness of the budget. The exact extent of off-budgetary operations cannot be quantified in the absence of reliable data. Fiscal information in both budget documentation and execution reports is provided through several means, including the media and some Government websites. However, the coverage of information is not published adequately and format of reporting still does not conform to a standardized presentation in the course of the year. For example, a consolidated Whole of Government financial statement, inclusive of a report about the budget sector or other representation of core government is still lacking, not conforming to Cash Based IPSAS reporting standards.

The budget and the fiscal risk oversight are comprehensive and fiscal and budget information is accessible to the public. All major public bodies outside the direct control of their parent ministry, i.e. self-financing, are overseen by the Ministry of Finance and Planning. Progress has been made with the amendment of the Public Bodies Management Accountability Act (PBMA) in that it provides for their obligations in terms of compliance and stewardship, and consolidated annual budget submission and reporting to Parliament. With public bodies' budget representing the equivalent of that of the central government, this 2010 change was timely, although oversight of fiscal risk, especially from the financial sector, and use of the information for decision-making is still limited.

All other public bodies are controlled under the central government budget and cannot borrow without Minister of Finance authorisation as for any central government debt. In addition, all public bodies are also subject to external audit and Contractor General supervision on a quarterly basis under the responsibility of the Public Establishment Division controlled by the Ministry of Finance and Planning. As such the basic tools supporting a strict fiscal oversight exist.

Local government authorities (LGAs), parishes and municipalities, are funded through the Parochial Revenue Fund, the General Assistance Grant and own revenues. The allocation of all types of transfers to LGAs is formula based, but because the transfers are not conditional, sectoral policies are not taken into account. Budget ceilings are issued through the MOLG to the LGAs at the beginning of the fiscal year. However, the level of funding is insufficient to cover the service level, and the central government budget has to make up for the difference in the form of Parochial Fund deficit financing. Whilst the fiscal risk tied to parishes is limited as central government only provides grants, and no borrowing power is granted to them, oversight is suffering from delayed reporting and auditing due to previous backlog and inconsistent accounting standards.

Policy-based budgeting

The budget is prepared with due regard to Government policy, but work on budgetary reform has not yet been finalised. Progress has been made by the recent introduction of medium term fiscal forecasts and expenditure frameworks, as well as the enhancement of corporate plans. The process of integrating the sectoral strategy plans and the recurrent and capital expenditure budgets is credible and is in progress and, as a result, the links are still weak.

Several policy papers and technical documents and guidelines are issued to support budget preparation, including macro-fiscal analysis papers, a fixed three-year Medium Term Socio Economic Policy Framework (MTF), and sector strategy plans. More recently a key document called Strategic Business Planning (SBP) Guide was drafted by the Cabinet in order to better establish and explain MDA budget ceilings and underpin an integrated planning and performance framework through which Government sets broad strategic priorities and ensures these priorities are reflected in clear MDA level plans, budgets and performance targets.

The MOFP is responsible for the preparation of both recurrent and development budgets and yet, the resources within the two budgets had not been adequately integrated. It is envisaged this will be ultimately achieved through the implementation of the MTEF and corporate and operating plans, as the functional classification system in the budget serves to improve the policy base of the budget.

A rudimentary budget calendar remains in effect and as a result, the annual budget has not been guided to be prepared in a more standardised and orderly manner. The improvement is in the making to adapt to the requirements of the Fiscal Responsibility Framework and MTEF.

Predictability and control in budget execution

The budget is not implemented in a predictable manner and the arrangements for the exercise of control and stewardship in the use of public funds are also weak.

Tax policy and administration, as well as personnel management reforms are not advancing, and procurement reform is progressing slowly. Tax collection performance has not improved, and the timing of actual budget support disbursement from development partners could not be adequately planned by the Government. Consequently, budget execution and the implementation of Government operations face ongoing uncertainty.

The monthly cash rationing system limits predictability for managing expenditures and implementing plans of the MDAs to meet the national development goals. The weak cash management procedures employed in the process of monthly budget allocations hamper meaningful budget execution. The quality of debt recording and reporting remains generally sound for the guaranteed portion. Certain deficiencies in the registry of other public debts have nonetheless emerged in recent years thus resulting in large gaps in the regular reporting, attributed primarily to non-guaranteed credits not recorded by appropriate means. The bulk of the MDAs' recurrent expenditures are salaries and wages, but payroll controls are weak and difficult to manage. Also, internal controls and internal audit functions in the MDAs continue to be weak and increase fiduciary risk in budget execution.

For many years the revenue agencies, both Tax Administration Jamaica and the Customs Department, have been undergoing a number of reforms. However, they are still confronted with significant challenges, impairing their ability to collect revenues. Firstly, the legal and regulatory framework is weak, without the possibility for recourse to third party legislation and to impose sanctions for non-registration (or non-filing in one case). Secondly, maintaining true and fair accounting and information management, for all tax types, has proved to be difficult, with significant information gaps and consistency issues. The series of reforms have not yet led to major efficiency gains, with key issues being left unaddressed by reformers, while practitioners require very specific support on reform activities, as they also need for information management and internal audit, in order to reduce risk. The tax refund mechanisms have experienced difficulties, leading to the accumulation of tax refunds arrears, a de facto financing item.

The predictability in terms of expenditures is limited by current fiscal space and cash rationing. That fact that warrants issued can be 'unfunded', even with a 30-days horizon is not supportive to budget preparation, procurement planning and cash forecasting. As MDAs' budget bids are cut, and while practice shows the unreliability of warrants, they tend to effect, commitment control on the basis of the budget voted. This implies de facto generation of payment arrears. Other payment arrears are generated and not recorded fully thus affecting predictability of outcomes by service delivery units. With the 'Vote on Account' procedures at the beginning of every new fiscal year, and the abandonment of Period 13, MDAs simply pay some of their arrears by passing these expenditures, while the estimates are still being approved. This reduces the new fiscal year budget by the same amount, in effect rolling arrears.

With regards to the payroll, the fragmentation of the nominal roll, the Establishment database and the MDA's payrolls – using 17 different systems - does not allow the benefits to be reaped from having an Establishment passed every year. Further, if compensation is tied to the Establishment through the post, this is not true for all MDAs, with the education sector, as major case, finding its teacher's payroll influenced by negotiations outside its remit. While the wage bill is a target of the Fiscal Responsibility Framework, this situation poses a significant risk of slippage. Over and above, the Establishment, MDAs are hiring a significant volume of contractual agents. This both indicates the disconnect between human resources management and payroll control, while revealing that efficiency gains are still to be made in the discharge of public sector functions.

The procurement framework has improved, by making open tenders become the default procurement method. The Office of the Contractor General (OCG) exercises its purview over the whole public sector, ensuring quarterly publication of contract awards above the direct purchase threshold. Its reports suggest recommendations and referrals to the judiciary, but also signal that systemic corrective measures are not taken to address the recurrent findings. The OCG status is tantamount to a supreme audit institution but its reports are not used as part of the Parliament's PFM oversight as exercised by the Public Accounts Committee. Public procurement is affected by a weak control environment. A number of challenges exist with respect to the registration system limiting competition (with approximately 3% of businesses registered, excluding consulting services). Moreover, there is no requirement for subcontractors to be registered and thus to prove their tax compliance and no requirement for contract awards below J$500,000 to be granted to only tax compliant businesses.

Although controls have been improved by way of clarity and internal audit, the control environment is weakened by unfavourable conditions and ineffective sanctions and corrective measures. Internal controls, internal audit and external audit have begun to better coordinate their work. Indeed, the re-introduction of Audit Committees at the MDAs level provides for an institutional mechanism to design and implement corrective measures. However, reports from internal audit, external audit and the Contractor General still reveal recurrent and similar weaknesses, thus suggesting the PFM system is operating in a weak control environment.

Accounting, recording and reporting

As a central payment, accounting and reporting system, the Financial Management System (FINMAN) must cover all central government ministries and sub-treasuries across the country thus improving the timeliness and quality of expenditure information produced by these units. However, the needs of fiscal transparency and financial reporting have grown considerably over the years to a point FINMAN has not been able to adequately meet in the current conditions. Thus, FINMAN is not able to produce adequate records and information in a more standardised manner, and maintain and disseminate to meet decision-making control, management and reporting purposes. In response to this, the Government has planned to upgrade FINMAN and migrate towards an integrated systems solutions version (IFMS) in order to meet the increased financial recording and reporting needs and improve fiscal transparency in a more meaningful manner.

Since FINMAN was developed, a bank reconciliation module has never been established, resulting in a bulk of transactions between MOFP and the Central Bank not being reconciled through an automatic reconciliation process on a monthly basis. The Data Warehouse has not been operational until very recently resulting in MOFP being unable to access the information stored in this warehouse for any kind of analysis. Limited capacity has been built in the systems unit of the Accountant General's Department (AGD), thus resulting in on-going dependence on the vendor. For these reasons, the quality of accounting and reporting in the MDAs is questionable, with external audit reports regularly calling for these issues to be addressed.

Jamaica has embarked on an ambitious programme of reform in Government accounting. The Government has realised that its accounts have not been produced in full compliance with international public sector accounting standards and that Cash IPSAS require the consolidation of all central government transactions. The Auditor General has experienced significant delays in the submission of the annual statements by MDAs and the Accountant

General up to FY 2009/10. This situation has improved but remains problematic, while annual audit reports continue to report recurrent and similar breach and compliance issues. Financial management procedures and regulations at the central government level derive their authority from the Finance Administration and Audit Act. However local government units are governed by a different Act that does not make any provision for the application of the financial management rules promulgated by the Financial Secretary. Accounting standards have therefore not been specified for LGAs resulting in different local government units producing accounts on different standards.

Memoranda of Understanding with parishes and municipalities allow the Accountant General to pay for significant transactions with service companies such as street lighting and cleaning on their behalf. Information on the resources utilised by primary public service units around the country is not provided in a standardised fashion and not known by the general public in a clear manner. The lack of a thorough publication of in-year budget execution reports by the MDAs, as well as the summary style and consolidated coverage of the annual financial statements remain problematic. Fiscal reports (summary of revenue, expenditure and deficit and its financing) are helpful and published regularly through the MOFP. Presently, the only in-year expenditure reports are the monthly fiscal flash reports produced by AGD and published on the MOFP website; MDAs budget execution reports are not made public, and their usage is limited to the cash flow management task, and a Whole of Government financial and performance reporting and auditing, inclusive of systemic risks affecting the overall fiscal position; all of these things are still missing.

These limitations restrict the purview of the Public Administration and Appropriations Committee of the House of Representative. This committee has been reinstated under the Standing Orders of the Parliament as a way to supervise budget execution and thereby complements the work of the Public Accounts Committee.

External scrutiny and audit

External audit reports are generally submitted to the legislature in a timely manner, within nine months of the end of each fiscal year, as the law requires. The scope of these reports has significantly increased over the past five years, and although this allows in principle a broader and deeper scrutiny, it requires a significant step-up in terms of capacity of both the Auditor General and the Public Accounts Committee.

The operational independence of the Auditor General's Department (AUGD) is still limited by way of its budget and hiring of staff, although it now operates under delegated authority from the Office of the Service Commission for some sectors. While the independence of the OCG is closer to the INTOSAI standards regarding independence, in practice the OCG operates under the same operational constraints as the Auditor General with regards to its budget and hiring of staff.

Reports from the Auditor General, the Contractor General and the internal audit units located in the ministries have indicated recurrent events of non-compliance of rules, with regards to financial management and procurement. The Audit Committees apparently do not generally follow up on the Auditor General's and Contractor General's recommendations and there is no clear provision in the FAA Act and regulations requiring Accounting Officers to take corrective measures within a time-bound framework.

Follow-up has been evidenced (with record keeping in place since 2012 by the Auditor General) with regards to financial and compliance issues, but the Ministry of Finance and Planning and the Accounting Officers and CEOs have not succeeded in taking a systemic approach to address recurrent individual weaknesses in the PFM system. This is echoed throughout the public finance management system including payment arrears, tax waivers, commitment controls, procurement and payroll. This situation is compounded by weak internal audit units (see PI-21) that were not supported by functional and proficient Internal Audit Committees in the ministries, agencies and public bodies until 2012. The creation of the Audit Commission was an attempt to ensure that corrective measures are duly implemented.

The Public Accounts Committee (PAC), on the other hand, does not painstakingly review and debate the Contractor General's annual report. This is done by another legislative committee and, as yet, it does not serve to call to account the Accounting Officers and recommend and enforce corrective measures.

In retrospect, the status quo thus raises concerns as to the effectiveness of the overall control system and due execution of the Fiscal Responsibility Framework.

Donor Practices

MOFP was able to include most annual estimates on external receipts (grants and loans) and all associated expenditures in the budget aggregates with sufficient anticipation. One salient feature is that actual external receipts improved in the past three fiscal years with respect to forecasts. Noticeably, however, the level of budget support declined sharply in FY 2011/12. The timeliness of in-year aid receipts is generally satisfactory, although evidence reveals the quarterly planning of budget disbursals by the majority of donor agencies is deficient. National systems for procurement, payment/accounting, audit and reporting are used when external financing takes the form of both direct budget support and project support. Assessment, however, concludes that most of the largest donor agencies still do not comply with national guidelines, procedures and systems in the most part.

A summary of the 2012 PFM Performance Review scores is presented in **Error! Reference source not found.** (shaded areas in green denote improved ratings and those in green reflect deterioration with respect to the 2007 PFM Performance Review, a summarised report of reasons explaining the changes in ratings is presented in Annex 1).

Assessment of the impact of PFM weaknesses

The impact of reforms in the overall functioning of the PFM processes and systems and performance yielded are measured in regards to three levels of budgetary outcomes, as recognised in the PEFA framework: Fiscal Discipline, Efficient Service Delivery and Strategic Allocation of Resources. The impact of PFM weaknesses identified and the various relationships amongst these outcomes are summarised in Annex 2.

Recognizing the importance of a sound PFM system and the need for improving the quality of public expenditures, the Jamaican authorities have taken a number of measures, including the introduction of program and results-oriented budgeting and centralization of the treasury management system. However, there still remain a number of weaknesses in public financial management, especially in the area of strategic allocation and budget transparency and accountability.

Clearly, given the challenges that Jamaica still faces with regards to each dimension, both for revenues and expenditures, effective controls of the budget revenue totals and management of fiscal risks do not contribute to meaningfully achieve fiscal discipline in Jamaica. This was in fact the objective of the Fiscal Responsibility Framework that Jamaica has introduced in 2010. This is in spite of having developed the foundations for effecting fiscal discipline. With efforts on Public Sector Modernisation still on-going, but hampered by systemic issues, such as commitment controls, payroll, procurement, and quality of accounting and data, the management of budget resources leaves room for improvement and poses challenges to efficient service delivery and value for money in Jamaica.

As regards the strategic allocation of resources, the budget is planned in line with government priorities although severely hampered by existing rigidities and adjusted to a reduced fiscal envelope and then executed under further cash limitations and hence, do not contribute to effective implementation of government objectives in Jamaica. In spite of the efforts made with regards to corporate and sector planning, debt management and the MTEF, the reality of the disconnect between political promises for service delivery and fiscal space does not allow plans to be translated into the annual budget.

Table 1: Summary of PFM Performance Review Scores, 2012

PFM Performance Indicator		Scoring Method	Dimension Ratings i.	ii.	iii.	iv.	Overall Rating
A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	A				**A**
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	B	A			**B+**
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	D				**D**
PI-4	Stock and monitoring of expenditure payment arrears	M1	B	C			**C+**
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	A				**A**
PI-6	Comprehensiveness of information included in budget documentation	M1	A				**A**
PI-7	Extent of unreported Government operations	M1	NS	A			**NS**
PI-8	Transparency of inter-Governmental fiscal relations	M2	A	D	D		**C**
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	A↗	A			**A↗**
PI-10	Public access to key fiscal information	M1	C				**C**
C. BUDGET CYCLE							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	C	A	C		**B**
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C↗	A	B	C	**B**
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	C↗	A	C		**B↗**
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	B	D	C↗		**C**
PI-15	Effectiveness in collection of tax payments	M1	D	B↗	D		**D+↗**
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	B	C	D↗		**D+↗**
PI-17	Recording and management of cash balances, debt and guarantees	M2	D	C	B		**C**
PI-18	Effectiveness of payroll controls	M1	D	B	C	C	**D+**
PI-19	Competition, value for money and controls in procurement	M2	C↗	D↗	B	C	**C↗**
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	D↗	B	C		**D+↗**
PI-21	Effectiveness of internal audit	M1	C↗	A	D		**D+↗**
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	C	C			**C**
PI-23	Availability of information on resources received by service delivery units	M1	D				**D**
PI-24	Quality and timeliness of in-year budget reports	M1	C	C	B		**C+↗**
PI-25	Quality and timeliness of annual financial statements	M1	D	C	C		**D+**
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	A	NS	C		**NS**
PI-27	Legislative scrutiny of the annual budget law	M1	A	A	D	B	**D+**
PI-28	Legislative scrutiny of external audit reports	M1	C	A	C		**C+**
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	A	D			**D+**
D-2	Financial info provided by donors for budgeting/reporting on project/programme aid	M1	C	D			**D+**
D-3	Proportion of aid that is managed by use of national procedures	M1	C				**C**

Key:

Positive Change	
Negative	

An upper arrow ↗ denotes a marked breakthrough due to a recent reform.

Prospects for reform planning and implementation

Jamaica has approached a series of innovative and ambitious reforms in recent years. These include, very critically, the implementation of a Centralized Treasury Management System, which requires the need to set the conditions enabling to adequately exercise commitment controls and other fundamental financial controls to function more properly and lead to more tangible results. These are only part of the fundamental measures required and yet a comprehensive PFM reform plan is not yet in place, which requires that its implementation will address the basics first and then ensure that they are firmly in place before expanding the reforms in a more sequenced and integrated manner. It would have been desirable that accurate, transparent and improved cash forecasting and programming, unified registration systems (HR, TSA), enhanced control over all public investments, improved credibility of MTEF, a reformed budget calendar and comprehensive budget classifications were addressed by appropriate means and jointly after the PEFA assessment in 2007. In spite of initial reforms, there are a number of substantive and secondary areas where further reforms need to be undertaken to strengthen the budget preparation process, improve budget execution and cash management, as well as accounting and reporting systems.

The Government has recognised the weaknesses in the PFM system and included reform elements in the Medium Term Action Plan (MTAP) that was established with support of the IDB, linked to the Public Sector Modernization Programme (PSMP) launched in the early 1990s, presently under the responsibility of the Office of the Cabinet. As part of the commitment to reform the PFM system, and in consonance with the findings of the 2007 PEFA Review, the Jamaican Government started in 2009 to amend important pieces of legislation on management and accountability of public bodies, management of public debt, public procurement, and external audit. However, although much of the legislation has been brought formally into force, a more integrated approach to reform of the overall legal framework is still missing. As a result, other major reforms in the PFM legal framework are still lacking (i.e. concerning civil service), as necessary detailed regulations and other administrative arrangements needed for them to take full effect (i.e., procurement) have not yet been completed.

In spite of the various public service reform projects attempted during the past two decades, an effective and efficient civil service that can facilitate higher quality in public service delivery and an improved business environment is still lacking. The onus is still on the present modernisation programme to ensure that the civil service performs its new role in as efficient, effective and economical a manner as possible to put Jamaica on the road to sustained economic growth. The Public Sector Reform Unit (PSRU) was established in 2001 "... to provide leadership, coordination, and cohesion to the implementation and monitoring of the reform initiatives." Two recent initiatives have taken effect to improve registration and monitoring of the public workforce, but other tangible reforms aimed at aligning of qualifications to eligible workers for promotion and other internal controls underpinning management of human resources are not yet at the heart of on-going reform within key functions of public administration.

As for the reform of public procurement, it can be remarked that a major gap analysis to the procurement processes and systems has not taken place as of yet, and hence, a series of legislative amendments and future institutional arrangements for public procurement are not being contemplated by the Government.

The current approach to PFM reform demonstrates how the MOFP intends to address the observations of key diagnostic reviews in the PFM system, although it still lacks a carefully phased implementation of the plan, a fully dedicated PFM Reform Coordinating Unit and specific institutional arrangements. Phasing the actions and harmonising reforms with Government capacity will remain key factors in the success of a new PFM reform strategy and a step-wise strategic vision.

Comparison of performance in 2012 with 2007

The comparison is detailed in Annex 1 "Analysis of Progress in Performance of PFM System, PEFA 2007 and 2012" and summarised in Table 3. The analysis presents 5 out of 28 basic indicators showing better performance than in the previous assessment, although this is neutralised by the 7 indicators performing lower. The distribution of changes shows a PFM reform process leading to 14 indicators without change in the scores and 2 scores not directly comparable at all.

A quantitative analysis is attempted to measure the progress in performance, and the overall result is that no improvement has been made since the past assessment of 2007. Progress has been even lower, albeit marginally, averaging 2.3 in 2012, from 2.5 in 2007.

The scoring card with a distribution of all 28 basic indicator scores and a comparison are shown in the table below:

Improvement 5 (including one improving from NS to C+)

Deterioration 10 (including two scores lowering to NS)

No change 13

Not comparable (NC) 2 (including those relating to PI-2 and PI-19)

Total 28

The distribution of scores is as follows:

Table 2: Distribution of PEFA Scores, 2007 and 2012

	A	B+	B	C+	C	D+	D	NS	Total	$\bar{x}$
2007	3	2	4	6	5	7	0	1	28	*2.463*
2012	4	1	3	3	6	6	3	2	28	*2.308*
k =	*4.0*	*3.5*	*3.0*	*2.5*	*2.0*	*1.5*	*1.0*			

A summary comparison of PFM performance review of 2007 and 2012 is provided in Table 4; Shaded areas marked in green (red) meaning improvement (deterioration).

Table 3: Summary comparison of PFM performance review of 2007 and 2012

PFM Performance Indicator	2007	20012
A. Credibility of the Budget		
1. Aggregate expenditure out-turn compared to original approved budget	B	A
2. Composition of expenditure out-turn compared to original approved budget	C	B+
3. Aggregate revenue out-turn compared to original approved budget	A	D
4. Stock and monitoring of expenditure payment arrears	NS	C+
B. Comprehensiveness and Transparency		
5. Classification of the budget	A	A
6. Comprehensiveness of information included in budget documentation	C	A
7. Extent of unreported Government operations	C	NS
8. Transparency of Inter-Governmental Fiscal Relations	C+	C
9. Oversight of aggregate fiscal risk from other public sector entities	A	A↗
10. Public Access to key fiscal information	B	C
C (i) Policy-Based Budgeting		
11. Orderliness and participation in the annual budget process	B	B
12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	B
C (ii) Predictability and Control in Budget Execution		
13. Transparency of taxpayer obligations and liabilities	B	B↗
14. Effectiveness of measures for taxpayer registration and tax assessment	C+	C
15. Effectiveness in collection of tax payments	D+	D+↗
16. Predictability in the availability of funds for commitment of expenditures	D+	D+↗
17. Recording and management of cash balances, debt and guarantees	B+	C C
18. Effectiveness of payroll controls	D+	D+
19. Competition, value for money and controls in procurement	C	C↗
20. Effectiveness of internal controls for non-salary expenditure	D+	D+↗
21. Effectiveness of internal audit	D+	D+↗
C (iii) Accounting, Recording and Reporting		
22. Timeliness and regularity of accounts reconciliation	D+	C
23. Availability of information on resources received by service delivery units	C	D
24. Quality and timeliness of in-year budget reports	C+	C+↗
25. Quality and timeliness of annual financial statements	D+	D+
C (iv) External Scrutiny and Audit		
26. Scope, nature and follow-up of external audit	C+	NS
27. Legislative scrutiny of the annual budget law	B+	D+
28. Legislative scrutiny of external audit reports	C+	C+
D. Donor Practices		
D-1 Predictability of Direct Budget Support	B+	D+
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	C	D+
D-3 Proportion of aid that is managed by use of national procedures	D	C

Key:

Positive Change	
Negative	

An upper arrow ↗ denotes a marked breakthrough due to a recent reform.

1 Introduction

1.1 Objective of the Public Finance Management Performance Report

The objective of this repeat Public Finance Management Performance Report (PFM-PR) is to provide an update of the status of public financial management in the central government of Jamaica as of March 2012 in order to lay down a baseline for future assessments, to measure progress since the last assessment in 2007 (insofar as indicators are comparably scored), and to provide a basis for Government/ donor dialogue on future PFM reforms. Reforms and other developments are described in Chapter 4. The report covers the period between FY 2009/10 and FY 2011/12.

1.2 Process of preparing the PFM-PR

This is a second comprehensive PFM-PR report. It is based on PEFA in-country diagnostic work undertaken initially during August and September 2012, with further interviews and data collection in October and a review process in November 2012. It includes fiscal data up to the end of the Fiscal Year 2011/12. This is the critical date on which the period for assessing each indicator is based, in accordance with PEFA guidance. Reforms and other events after 31 March 2012 are mentioned briefly in the text against each indicator, but have not affected the ratings. This is a repeat assessment that appraises progress in performance of PFM systems; ratings and comparisons with the previous assessment of 2007 are tabled in Annex 1.

1.3 The methodology and scope of the assessment

The methodology of work was agreed with the EU Delegation and representatives of the Government of Jamaica (GOJ). It was devised in a manner that responds to the objectives and needs of the PFM-PR and the Terms of Reference set out for carrying out the repeat PEFA assessment as well as the revised PEFA Performance Measurement Framework and recommended guidelines for repeat PEFA assessments set forth by the PEFA Secretariat. The work of the core team of PEFA assessors was supported by counterparts from the MOFP (represented mainly by senior members of the PEFA Oversight Committee created for the purposes of the repeat PEFA mission, and by the NAO team).

The repeat PEFA assessment was carried out in two major phases:

<u>The Desk Study</u>

The Desk Study began with a coordination phase between May 15 and July 14, 2012, in which a detailed Work Plan was devised by the PEFA Evaluation Team and communicated to and approved by the final beneficiary through the EU Delegation. Between July 15 and August 18, the external assessors reviewed general documents received that formed the basis of background information to the mission as well as other official documents available through websites of GOJ and relevant international development partners. In line with the nature of the repeat PEFA assessment, the PEFA assessors prepared an extensive list of interview partners and pieces of documented evidence required for assessing the performance in each of the sections of the PFM system. Interviews with various GOJ stakeholders, both at the levels of Executive and Legislative, and representatives of relevant IDPs and organizations of the civil society were requested. An Inception Report on mission (interview) organization and information (documents) required for starting the field work was submitted to the final beneficiary for discussion in July 2012.

The Field Study

The Field Study was initially designed to take place between August 20 and October 24; with revised timing the field visits were concluded in mid- November, 2012. The field work consisted of three phases: the inception and general phase (19 August to 4 September, 2012), the in-depth assessment phase (26 September to 10 October, 2012), and the final fieldwork phase including the review process (5-15 November, 2012).

The field work began with an internal briefing with representatives of the Government of Jamaica (Chair of the PEFA Oversight Committee and one senior member of the Committee), the EU Delegation, the National Authorizing Office (NAO), and the Inter-American Development Bank (IDB). This was followed by an Inception Workshop to briefly explain the revised PEFA Assessment Framework and introduce the methodology of the field work agreed and the deliverables sought on the part of the GOJ as well as the PEFA assessors.

The format of the interviews was devised so as to break down the field work and the quality control process in the following order:

- Initial and follow up meetings, and joint sessions with central authorities and technical staff of the Government of Jamaica, which included various departments and head units at the Ministry of Finance and Planning (MOFP), the Planning Institute of Jamaica (PIOJ), the Tax Administration Jamaica (TAJ) and Customs Department (CD), and Office of Contractor General, among others;

- General and individual meetings with senior financial management officials of the three largest spending agencies, namely, the Ministry of Education, the Ministry of Health, and the Ministry of Transportation and Works;

- Initial and follow up meetings, and joint sessions, with senior officials of public independent bodies, including the Auditor General's Department, the National Contracts Commission, the Public Accounts Committee, and the Public Administration and Appropriations Committee;

- Meeting with representatives of relevant international development partners (IDPs); and

- Meeting with representatives of business organizations, consumer affairs, and the academia.

The purpose of the meetings was to gather all necessary background and factual information on the PFM system, supported with documented evidence requested at the onset of the mission, discuss and build a clear understanding on the functioning of the various parts of the PFM system, the performance of PFM processes and systems, and the progress being made since the submission of the 2007 PEFA assessment, and validate the preliminary findings and scores of the 2012 PEFA assessment. IDB consultants participated in the initial stage of the mission and provided certain useful comments and inputs to the process of drafting the preliminary PEFA report.

A first draft PFM-PR was submitted to the EUD on October 10th 2012; a debriefing meeting with representatives of the PEFA Oversight Committee, the EU Delegation and IDB took place for presenting the preliminary findings and scores, and gathering the first general comments. The report was submitted to the GOJ, PEFA Secretariat and relevant IDPs for comments.

A draft final PEFA report was submitted on November 14th 2012 and responded to the initial comments of EUD, GOJ, PEFA Secretariat. Specific actions taken by assessors were documented in separate comment sheets.

The present final PEFA Report takes into account discussions of the Final Workshop and responds to final comments received from the different stakeholders in the aftermath of the third field mission.

As for the scope of the assessment, this report covers the central government operations (MDAs) only: the financial management of local governments and public enterprises are only visited in relevant indicators as prescribed by the PEFA manual where they have fiscal relations with the central government, and in the context of fiscal risk assessment and transparency and timeliness of fiscal transactions.

The central government comprises 16 ministries and seven independent state entities. Ministries include 12 executive agencies and 25 autonomous Government agencies (AGAs). The central government budget for FY 2012/13 amounted to 414,258 million Jamaican Dollars, equivalent to 29.8% of GDP, of which AGAs (mainly regulatory and developmental) represent about one tenth of the total. The budget of sub-national Governments (SNGs), comprising a total of 15 parishes and municipalities, equals approximately 2% of GDP. The budget of financial and non-financial public enterprises (PEs), comprising 195 wholly and partially owned public companies and some form of corporate structures, 90 of which are characterized as self-financing, equals between 5% and 6% of GDP, inclusive of infrastructure and other capital projects. A sample of 65 self-financing AGAs and PES are embodied for monitoring purposes as "public bodies" and contained in the Jamaica Public Bodies Estimates for Revenue and Expenditure.

The actual status of PFM in Jamaica is scored against the 31 high level indicators set out in the Framework and an analysis is made to compare to the assessment of 2007 and measure the progress in performance of PFM systems and processes. The Framework identifies six critical dimensions of performance of an open and orderly PFM system and also assesses donor performance. The overall findings of this assignment are grouped under these dimensions.

Most quantitative PEFA indicators require data for three years as the basis for the assessment. Data should cover the most recent completed fiscal year for which data is available and the two immediately preceding years. Thus, the PEFA assessment for Jamaica is based, where relevant on the experience of fiscal years 2009/10, 2010/11, and 2011/12.

The structure of the evaluation report is as follows: Section 2 provides background information on the economic, budgetary outcomes, legal and institutional context for the evaluation. Section 3 explains the scores for the 31 individual Performance Indicators. Section 4 describes the GOJ's PFM reform efforts up to now, and the prospects for further progress. A series of annexes provide more detailed reference information, including the budget data used for the quantitative indicators (Statistical Appendix), the list of interviewees (Annex 4) as well as the list of documents consulted (Annex 5).

1.4 A framework for analysis and action

The PFM system and the PEFA indicators do not attempt to measure fiscal outcomes, the substantive appropriateness of public expenditure policies and decisions, or the actual impacts and value for money achieved through public expenditures. The PFM system instead should be seen as a crucial enabler for achieving broader development goals and substantive outcomes (including in the public finance sphere), which depend on sound Government strategies, policies, and institutions. The discussion below starts from outcomes and moves to processes and the linkages between them.

Three levels of budgetary outcomes. The outcomes of a country's PFM system can be assessed in terms of three levels, all of which have wider implications for national development:

- *Budgetary aggregates and overall fiscal discipline* (including fiscal sustainability from a medium-term perspective). Desirable outcomes include macro-fiscal balance and low inflation in the short run, and fiscal sustainability or (in the case of Jamaica) sustained progress toward fiscal sustainability over the medium term;
- *Strategic allocation of resources across sectors and programs*, in accordance with Government priorities to implement national objectives. Desirable outcomes include allocation of public sector resources across programs based on an agreed development strategy, allocation of resources within programs based on sound sector strategies, and allocation of expenditures over time in line with appropriate prioritization (e.g. taking into account recurrent cost implications of public investments and staffing decisions);
- *Managing the use of budgetary resources in the interest of efficient service delivery and value for money*. Desirable outcomes include cost-effective service delivery, avoidance of waste or corruption, proper accountability for use of resources, etc.

Critical dimensions of PFM performance. Turning from broad budgetary outcomes to the performance of the PFM system itself (as "enabler"), PEFA has identified six critical dimensions of a well-functioning PFM system. Four of these comprise important parts of the budget cycle (policy-based budgeting; predictability and control in budget execution; accounting, recording, and reporting; and external scrutiny and audit). Another relates to key cross-cutting features of the budget process, i.e. comprehensiveness and transparency, and the last covers outturns of the PFM system, namely the credibility of the budget. Given donors' importance in providing financial support to many developing countries, donor practices have significant impact on the performance of the PFM system.

PFM indicator set. In order to operationalize the PFM performance assessment framework, 28 high-level PFM performance indicators have been developed, each of them measuring performance in one of the six critical dimensions. Three additional indicators of donor performance have also been developed. As indicated earlier, the PFM performance indicators measure how key parts of the budget process are working, cross-cutting features of the budget, and whether the budget is credible (as demonstrated by its outturn). The performance indicators are of critical importance as enabling factors for achieving national development and fiscal objectives.

Overall structure of the PFM performance measurement framework. Assessment of the high-level PFM performance indicators provides an evaluation of performance in terms of the six core dimensions of the PFM system, which in turn leads to an assessment of the performance of the PFM system in achieving key desired outcomes (aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery). A model for a PFM performance assessment is presented in PEFA (2005 and 2011) and applied to Jamaica in Chapter 3.

2 Country background information

2.1 Overview of the macroeconomic situation

Jamaica is an upper middle income country with a gross national income (GNI) of US$4,980 per capita in 2011. Jamaica is the largest English-speaking Caribbean country, with a population of 2.7 million (WDI, 2012). Despite its rich natural assets and a period of robust development in mining, manufacturing, construction and tourism, the economy continues a prolonged period of sluggish growth, with a poverty rate of 17.6% and an unemployment rate of 12.7% in 2011 (between 2007-10 there was a cumulative decline of 5.1%).

The Jamaican economy has succeeded in moving away from the sugar industry and become heavily dependent on services, which now account for nearly 65% of GDP. The country continues to derive most of its foreign exchange from tourism, remittances, and bauxite/alumina. Remittances account for nearly 15% of GDP and exports of bauxite and alumina make up about 10%. The bauxite/alumina sector was most affected by the global downturn while the tourism industry was resilient. Tourism revenues account for roughly 10% of GDP, and both arrivals and revenues grew in 2010 by 4% and 6% respectively. Jamaica's economy faces many challenges to growth: high crime and perceived corruption, large-scale unemployment and underemployment, and high debt-to-GDP ratios (see below). The country's public debt burden is the result of large losses in the tax system and Government bailouts to ailing sectors of the economy, most notably to the financial sector in the mid-to-late 1990s.

In early 2010, the Jamaican Government created the Jamaica Debt Exchange (JDX) in order to retire high-priced domestic bonds and significantly reduce annual debt servicing. The Government of Jamaica signed a US$1.27 billion, 27-month Standby Agreement with the International Monetary Fund for balance of payment support in February 2010. Other multilaterals have also provided millions of US$ in loans and grants. Despite the improvement, debt servicing costs still hinder the Government's ability to spend on infrastructure and social programmes, particularly as job losses rise in a shrinking economy.

Jamaica remains one of the most highly indebted countries in the world and while the JDX has served the Government to restructure its domestic debt and reduce interest payments, the debt situation remains highly vulnerable to external conditions. Over half of Jamaica's public debt stock is denominated in dollars, making it highly sensitive to changes in the nominal exchange rate. The debt to GDP ratio of 139% (WEO, April 2012) continues to displace needed investments, preventing long-term growth. Debt servicing has taken up nearly 50% of total budgeted expenditures over the last four fiscal years while health and education combined have only been around 20% and the debt maturity profile has actually worsened in 2011, with over 50% of domestic debt coming due within one to five years.

The Government thus faces the difficult prospect of having to achieve fiscal discipline in order to maintain debt payments, while simultaneously attacking a serious deficit in economic infrastructure and crime problems that are hampering economic growth.

Table 4: Key Macroeconomic Indicators, 2007-2011 1/

	2007	2008	2009	2010	2011
Real GDP growth (%)	0.6	-1.8	-2.9	-0.7	0.9
GNI per capita (US$)	4,540	4,740	4,610	4,700	4,980
Population (in millions)	2.676	2.687	2.696	2.702	2.709
CPI inflation (average)	12.4	20.2	9.7	11.4	7.3
Unemployment rate (%)	9.7	10.8	12.0	12.2	12.8
Overall public sector fiscal balance (% of GDP)	-8.2	-9.5	-11.4	-6.7	-6.4
Public debt (% of GDP) 2/	113.5	125.0	138.3	140.5	139.2
Current account balance (% of GDP)	-18.4	-18.7	-7.6	-8.9	-11.2
Net international reserves (in millions of US$)	2,083	1,629	1,752	2,553	1,777

Sources: Jamaican authorities; World Bank; and IMF staff estimates.
1/ Fiscal years cover the period from April 1 to March 31.
2/ Central government direct and guaranteed debt only, including PetroCaribe debt.

The modest macroeconomic performance achieved over the past five years and the underlying national development policies led to mixed indicators in development, competitiveness and public governance. Most recent figures indicate that Jamaica is ranked low in the Global Competitiveness Index 2011-2012 (107 of 142 reporting countries), in the Rule of Law 2010 (37% percentile rank), and in the Corruption Perceptions Index 2011 (scored 3.3 of 10). Improvements in human development had, nonetheless, been reported as favourable in the Human Development Index 2011 (ranked 79 of 187 reporting countries) due to increases in school enrolment and other good progress in eight out of the fourteen MDG targets for 2015[2]—this positive development led to a modest improvement with respect to WDI 2001 when Jamaica ranked 78 of 162 reporting countries.

2.2 Description of budgetary outcomes

Fiscal performance

Between 2008/09 and 2011/12 Jamaica's overall fiscal performance did not improve at all. Through the entire duration of the IMF programme the aim was to reduce the overall fiscal deficit "from 12¾% of GDP in FY2009/10 to 1.2% in FY2013/14". The main avenue through which the programme aimed to achieve this was "a tightening of fiscal policy." The tightening included both increases in taxes and cuts in expenditure. As part of the programme's conditionality, the Jamaican Parliament had to pass a tax package that increased tax revenue by 2% of GDP. The specific package contained a new fuel tax, a one percentage point increase in the general consumption tax, and an increase of the tax rate for high income earners.

2 See Aid Effectiveness 2005-2010: Jamaica's Progress in Implementing the Paris Declaration, OECD 2011.

Jamaica missed its deficit targets over the last four years, thus leading to the higher than budgeted deficits. The main determinant was lower than expected revenues, and to a lesser extent higher than budgeted interest payments. Higher than budgeted interest payments were only registered in 2009/10; in 2008/09 interest payments were broadly in line with budget but were significantly lower than budgeted in 2010/11 and 2011/12. Excess non-interest spending barely contributed to the deficit, and in some years was even lower than budgeted. The large wage bill remained predominantly rigid at 11% of GDP in the past four years and costs associated to divestment of Air Jamaica (1.5% of GDP) led to higher capital expenditure.

Domestic revenue decreased by almost two percentage points to 24.6% of GDP. External grants (including direct budget support and project grants) halved to reach only 0.3% of GDP. On the other hand, primary expenditure remained high at 22% of GDP throughout this period, and fiscal deficit and its financing as percentage of GDP was reduced albeit modestly—the central government deficit fell from 7.4% to 6.8% of GDP, and the overall fiscal deficit fell from 9.3% to 7% of GDP (Table 5). As a result, public debt rose from 126% to 139% of GDP over the past four fiscal years.

Table 5: Summary of Public Sector Operations (In % of GDP)

	2008/09	2009/10	2010/11	2011/12
Revenue and grants	**27.2%**	**27.5%**	**27.0%**	**25.5%**
Tax revenue	24.7%	24.4%	23.9%	23.0%
Non-tax revenue	1.8%	2.4%	2.1%	2.1%
Grants	0.7%	0.6%	0.9%	0.3%
Expenditure	**34.47%**	**38.6%**	**33.2%**	**31.9%**
Primary expenditure	22.3%	21.3%	22.2%	22.4%
Wages and salaries	11.0%	11.6%	10.9%	11.0%
Other expenditure	7.2%	6.6%	6.6%	7.1%
Capital expenditure	4.1%	3.2%	4.7%	4.2%
Capital A	---	1.8%	2.9%	2.4%
Capital B	---	1.4%	1.8%	1.8%
Interest	12.4%	17.3%	11.0%	9.5%
Budget balance	**-7.4%**	**-11.1%**	**-6.2%**	**-6.4%**
Of which: Primary balance	4.9%	6.2%	4.7%	3.1%
Public entities balance 1/	**-2.6%**	**-0.3%**	**-0.5%**	**0.0%**
Overall fiscal balance	**-9.5%**	**-11.4%**	**-6.7%**	**-6.4%**

Source: Statistical appendix table 1.
1/ Includes 20 selected public entities under rationalization or divestment plans, and other public bodies.

Allocation of budgetary resources

In the last four years, priority in the allocation of Government resources was given to social services, reflecting the need to alleviate human development needs, immediate poverty and rebuild and support schools and health centres affected by Hurricane Dean. The share of education remained rigid in about 26% of total expenditure over the period (equivalent to 6% of GDP). The health share in total expenditure also remained unchanged in about 12% of the total (or just under 3% of GDP). In the area of Economic Services, expenditure on infrastructure, transport and communications dropped to 14% of total in 2009/10 then rose as the result of the Air Jamaica divestment, taking 21% of the total in 2010/11, but then fell back to 18% in 2011/12 as reconstruction was completed and investment cut back.

Noticeably, however, social investment programmes continue to devote almost the entire budget to salaries and other operating expenses - the recurrent budget of Education Affairs and Services increased from 93% in 2008/09 to 98% of the sector's total expenditure (**Error! Reference source not found.**).

Table 6: Functional Composition of Public Expenditure (% of total)

	% of total				Recurrent (% of total)			
	2008/09	2009/10	2010/11	2011/12	2008/09	2009/10	2010/11	2011/12
General Services	**14.8**	**14.5**	**15.2**	**17.8**	**91.3**	**92.3**	**91.3**	**91.3**
Defence and Internal Security	**18.4**	**18.8**	**16.7**	**16.8**	**83.4**	**95.1**	**95.4**	**93.2**
Defence Affairs and Services	4.3	4.2	4.4	3.4	60.1	96.6	98.6	96.6
Public Order and Safety Services	14.1	14.6	12.3	13.4	90.6	94.7	94.2	92.4
Social Services	**43.9**	**49.9**	**45.1**	**44.5**	**90.0**	**92.5**	**91.2**	**91.1**
Of which:								
Education Affairs and Services	25.8	30.7	26.1	25.6	93.5	96.7	97.5	97.8
Health Affairs and Services	11.7	12.7	12.8	12.5	96.4	96.5	94.2	93.6
Social Security and Welfare Services	2.0	2.4	2.6	2.5	55.4	49.4	44.8	45.9
Community Amenity Services	3.2	2.7	2.3	2.2	60.4	71.2	69.8	81.6
Economic Services	**20.3**	**14.1**	**20.9**	**18.1**	**30.3**	**39.6**	**24.2**	**30.8**
Of which:								
Agriculture	3.1	3.9	2.5	4.2	56.3	44.6	58.6	46.0
Energy	0.1	0.1	0.1	0.3	50.9	55.9	32.2	13.3
Roads	4.6	2.7	4.0	4.6	4.8	8.6	8.1	7.4
Transport and Communication Services	1.8	2.0	10.8	3.8	73.9	66.8	11.0	28.1
Others 1/	**2.8**	**2.7**	**2.2**	**2.8**	**62.4**	**79.8**	**75.2**	**81.2**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**76.2**	**85.2**	**77.5**	**79.7**

Source: Statistical appendix table 2.

1/ Include Information and Broadcasting, Labour Relations and Employment Services, Local Government Administration, and Unallocated Resources.

A salient feature in Jamaica's redistribution of expenditure is the debt rescheduling resulting in the share of interest payments to subdue from 36% and 45% of total in 2008/09 and 2009/10 to 30% of total in 2011/12 (a drop of about 3 percentage points of GDP, as noted in **Error! Reference source not found.**). This positive development, however, did not lead to also rationalize reform and control in a meaningful manner other major expenditure items considered of equally large magnitude and responsibility. On the contrary, the economic composition of expenditure demonstrates that a substantial increase in the share of wages and salaries and subsidies and transfers as well as development expenditures took place progressively, and knowing that these expenditures are mainly allocated to social and economic services it may be concluded that the composition of expenditures over the last four years is attributed to these expenditure groups (Table 7).

Table 7: Economic Composition of Public Expenditure (% of total)

	2008/09	2009/10	2010/11	2011/12
Expenditure	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Primary expenditure	64.3%	55.2%	66.9%	70.2%
Wages and salaries	31.7%	30.1%	32.8%	34.5%
Other expenditure	20.7%	17.1%	19.9%	22.3%
Capital expenditure	11.8%	8.3%	14.2%	13.2%
Capital A	…	4.7%	8.7%	7.5%
Capital B	…	3.6%	5.4%	5.6%
Interest	35.7%	44.8%	33.1%	29.8%

Source: Statistical appendix table 1.

The macroeconomic overview and prospects for improvement in the primary balance show that public debt and the impact of public investment in growth and poverty reduction will continue to heavily influence public financial management and the structural reform agenda in Jamaica. The level of public debt service and the civil service expenses, particularly the social workers' wages and pension bills, remain predominant and severely hamper fiscal space and the quality of public expenditure thus affecting the Government's ability to shift its role towards facilitating a more pro-business and inclusive growth model. Strengthening of the budgeting system and fiduciary rules and procedures underpinning the budget processes has not led to better overall standards of public sector governance as expressed by the budgetary outcomes.

The rationale of PFM reform is expressed in relation to the overall government reform programme and yet, a choice has not been made as to pursue one goal (either transparency or effectiveness of PFM) before the other, and the Government has not set out pre-conditions and a sequencing applying to both goals. The sequencing issues have not been adequately addressed in technical terms, and in terms of the political economy context and associated risks. It might be necessary that the Government addresses some of these issues and risks upfront to avoid reforms' failure due to their premature implementation. For example, a key prerequisite is political ownership of reforms in the absence of which a lot of resources may be wasted (e.g. in designing strategies and action plans and setting up organizational structures to manage reforms for strengthening transparency and/or effectiveness of the PFM system) without much result.

2.3 Legal and institutional framework

The legal framework

The roles and responsibilities, accountability of spending agencies, transparency requirements, and sanctions arrangements are specified to different extents in various pieces of legislation, inter alia, the Constitution; the Public Finance and Audit Act; the Public Bodies Management and Accountability Act; the Executive Agencies Act; the Contractor General Act; the Local Authorities and Municipalities Acts; and the Public Debt Management Act.

Chapter 8 of the Constitution of Jamaica (1962) outlines the legislative function and the roles of various bodies involved in the management of public finances, specifically the National Assembly (legislature), the Governor General and the Prime Minister (executive) and the Attorney General and Auditor General. Chapter 9 on public service lays the basis for the Services Commissions and further specifies compensations and civil service management.

The Public Finance and Audit Act (1959, revised in 2010) and its subsidiary instrument (financial management regulations 2011) define in great detail the roles, functions and responsibilities in management of government revenue and expenditure (the Minister of Finance, the Accountant General, the Accounting Officers and Warrant Holders in ministries, departments and agencies, as well as the Internal Auditor and Auditor General). They also establish the functions of the Standing Finance Committee, the Public Accounts Committee and the Public Administration and Appropriations Committee. These Committees define the accounting, control and reporting systems.

The amended FAA Act specifies the new obligations of the Minister of Finance in a Fiscal Responsibility Framework. Section 48B (1) indicates that the Minister of Finance is responsible for:

1. Development and implementation of a fiscal policy framework for Jamaica;
2. Supervision and monitoring of public finances;
3. Co-ordination of the international and inter-Governmental fiscal relations of the Government.

This new framework provides a broader set of principles to undertake the necessary reforms to ensure that the PFM systems is capable of producing the necessary information to exercise control and supervision, although key changes still need to be done to render the FRF effective (see Chapter 3, indicators PI-3, PI-11, PI-12, PI-16, PI-17, PI-18, PI-19, PI-20, PI-26, Pi-27, and PI-28).

Furthermore, the FAA Act requires the Minister of Finance to table before Parliament:

1. A macroeconomic Framework;
2. A Fiscal Responsibility Statement;
3. A Fiscal Management Strategy;

and details the coverage of each, while providing for the Fiscal Responsibility Statement to be accompanied by a signed declaration of the Minister to adhere to prudent fiscal management and seek to manage fiscal risks. This is an attempt to resolve the inadequate supervision and management of fiscal risks in the past, leading to unsustainable debt levels, and very limited fiscal space. The Act also provides for the Auditor General's Department to examine the Fiscal Policy Paper and provide an opinion with regard to prudent fiscal management principles to the Parliament.

The revised FAA Act in section 48C provides a set of fiscal targets for up to 2016 in terms of deficit, debt and wage bill.

Table 8: Fiscal Policy Targets, as laid out in the amended FAA Act (2010)

Indicator	Target	Date
Fiscal Balance	Nil	FY ending 31st March 2016
Total Debt to GDP	< or = to 100% of GDP	FY ending 31st March 2016
Wage bill to GDP	< or = 9% of GDP	FY ending 31st March 2016

The FAA Act in section 48E puts the onus on transparency; the FAA Act in section 48F requires the preparation of a tax expenditure statement in a bid to clearly represent the costs to the State of the current tax structure. Further, the Act specifies the setting up of a Central Treasury Management System applicable to whole of Government and public bodies.

The Contractor General Act (1999) makes provision for the conduct of public procurement with the establishment of the Contractor General´s procurement regulatory authority, tender boards, principles and methods of procurement and dispute settlement. It establishes the independence, functions and investigations of the Contractor General and the role of the National Contracts Commission (NCC).

The NCC is a Commission of Parliament, composed of seven members (one nominee of the Contractor General appointed as the Chair, five nominees of Cabinet and two nominees by private sector organizations). This set-up has raised concerns due to the potential for conflict of interest. The NCC establishes the criteria for registering and classifying contractors (all contractors willing to transact with GOJ have to be registered, with exception of sub-contractors and for contracts below the direct contracting threshold, a significant limitation to the effectiveness of the registration system).

The Procurement and Assets Policy Unit at the Ministry of Finance advises the Minister on public procurement policy while liaising with the NCC. It also has, complementary to the OCG, a monitoring and oversight role of the procurement. Through the monthly reports of the procuring entities, it seeks to ensure adherence to procurements plans, and high level of compliance to the rules, both critical for ensuring policy intent and making the Fiscal Responsibility Framework effective. This function is, however, currently undermined by the absence of procurement plans. Further, should procurement plans be submitted, their basis for preparation would be unclear as the current procurement regulations do not impose any time-bounds on the proceedings.

The Public Debt Management Act of 2011 (repeals the Loan Act of 1964) defines roles, functions and responsibilities in governmental contracting of loans and issuing of guarantees.

The financial responsibilities of local governments (parishes and municipalities) are managed primarily under the Local Authorities (Loan) Act of 1958 (revised in 1973), the Parochial Revenue Act of 1900 and the Municipalities Act of 2003.

Since 2002 a number of taxation acts was updated, including the Income Tax Act; the General Consumption Tax; the Property Tax Act; the Stamp Duty and Transfer Act; and the Revenue Administration (Amendment) Act. The RAA was passed on April 1, 2011 paving the way for the dissolution of IRD and other tax related departments and the creation of Tax Administration Jamaica. The Customs Act, Income Tax Act and the General Consumption Tax Act set out the mandate of the Customs Department and the administration of import duties, income tax and GCT respectively.

The institutional framework

Fiscal management responsibilities are defined on the basis of a clear separation of roles between the executive, legislative and judicial branches. The Constitution assigns the responsibility for fiscal matters to the executive and legislature; and it also provides the legal basis for appropriating and spending public funds. The Parliament approves the state budget, as well as enabling laws for the imposition of taxes, and authorizes expenditure out of the Consolidated Fund. The Minister of Finance - on the basis of authority conferred by the Prime Minister - is responsible for formulating the budget, and submitting it to the Parliament for approval. The judicial process and procedures, including the composition of the courts, are defined in the Constitution.

The MOFP oversees budget preparation and execution. Each year in June, it presents the Budget Speech to Parliament which contains GOJ's fiscal revenue, expenditure and financing policies and plans. The Ministry monitors fiscal developments during the year and reports to the Parliament. The Ministry also formulates and manages revenue policies and legislation that are presented to the legislature. Its responsibilities include preparing the central government budget; developing tax policy and legislation; managing government borrowing on financial markets; determining expenditure allocations to different government institutions; and transferring central grants to local governments.

General features of the PFM system

Jamaica has a few PFM features that need to be mentioned, as they have some impact on the analysis of the indicators:

First, apart from the central government MDAs as the first level organizational classification of the government budget (known as vote), there exist some Autonomous Government Agencies (AGAs), which are regarded as central government agencies under some MDAs. These AGAs enjoy more financial freedom after receiving block transfers from their parent MDAs. The AGAs might pose some fiscal risks by their decisions in the form of future larger transfers from the government budget. AGAs' spending is not subject to the same rules and scrutiny that apply to MDAs. For example, some AGAs do not use the standard government budget classification. .

Second, the LGAs receive on average about 95 percent of their resources from the central government under different arrangements, almost all of which can be classified as conditional grants. In other words, the central government has delegated several of its functions to the LGAs while policy and financial aspects of these functions remain at the central level. LGAs do not have borrowing power (except by specific law), and do not pose fiscal risks to the central government, except with regard to expenditure arrears. Although LGAs are treated similarly to MDAs in regard to their budgeting, payment and accounting systems, they have some discretion in the use of conditional grants, and have their own accountability to elected councils. They are therefore treated in this assessment, as in previous assessments, as sub-national governments.

Third, the PEs have commercial goals and their own budgeting and accounting systems and, therefore, can pose fiscal risks. Such risks may arise from PEs' need for transfers from the central government's budget to them, both on current and capital accounts in the form of subsidies or capital injections. In Jamaica, AGAs and PEs are referred to collectively as "public bodies", although they are different types of organizations by international standards.

Fourth, the appropriation structure that is approved by the Parliament is brief and broadly classified (normally one vote for one ministry). It provides wide authority to GOJ to change its operations without reference to the legislature. Although some detailed ministerial budgets are prepared and widely disseminated, these can be changed in the course of budget execution by the executive branch, with the approval of MOFP.

Specific features of the PFM System

Revenue Collection

The revenue administration in Jamaica has undergone a number of reforms pertaining to all types of taxes since 1995, with support from international development partners and under the impetus of the Government of Jamaica, and is now entering a third major revamping since April 2011. Under the support of World Bank, the tax administration shifted from an organizational structure by tax type to one set by function. In the late 2000s, it undertook a series of change management reforms seeking to address monitoring of taxpayers by segments, and to instil a culture of performance. Both reform efforts were accompanied by technical assistance and new techniques and systems. The legal and regulatory framework was adjusted, although it never seems to have addressed the root causes for tax non-compliance.

The 2011 Amendment to the Revenue Administration Act created the Tax Administration Jamaica (TAJ). In the new organization, the former Inland Revenue Department (IRD), the Taxpayer Audit and Assessment Department (TAAD) and the Tax Administrations Services Department (TASD) that were operating since 1999 were consolidated. This consolidation implied that the organisations' functions and staff were transferred under a Commissioner General of Tax Administration. Three divisions, each headed by a Deputy Commissioner General, were established. The transformation from the former Jamaican Tax Administration to Tax Administration Jamaica included the separation of both Customs, becoming a semi-autonomous revenue agency, and of Taxpayer Appeals, which was re-established as a division under the Ministry of Finance and Planning, with a regulatory framework yet to be developed.

The TAJ is now getting ready for becoming a semi-autonomous revenue agency according to different sources, but a clear reform plan has yet to emerge. Reform fatigue has also become apparent throughout the interviews held: organisation redesign, business process reengineering and preparation of legislation have all been taxing with many issues left unaddressed such as providing a clear and powerful legal framework for enforcing compliance to registration, filing and prompt payment. The computerization remains a failure with inadequate linkages to other databases and ICTAS, the information system posing great concerns.

In 2007, the Jamaican Tax Adminstration was directed by the Director General overseeing taxpayer assessment and audit, tax appeal, inland revenue, customs as well as tax administration services. From 2011, the components of tax administration are found in the Tax Administration Jamaica, directed by a Commissioner, the Customs directed by a Commissioner and the Ministry of Finance and Planning for all matters relating to appeal and waivers, and audit of the tax administration.

The Supreme Audit Institution

Jamaica has a peculiar organization as both the Auditor General Department and the Office of the Contractor General (see above under Public Procurement) have SAI powers, although the Public Account Committee of the Parliament, to this date, only reviews and issues recommendations on the basis of the Auditor General's report.

Auditor General: The Auditor General Department (AUGD) is independent by law from the Executive. Its statute is provided for by the Constitution, and further detailed in the Financial Management and Audit Act. The AUGD enjoys the same independence in the discharge of duties, jurisdictional and operational. However, according to the standards set by INTOSAI, the Auditor General and her Department's independence are impaired significantly with regard to (financial) resources. The AUGD's budget is set by negotiation with the Ministry of Finance and Planning, on the basis of a proposal by the AUGD. Financial statements of all central government agencies, ministries, departments, executive agencies, and local authorities are individually audited for certification every year. Under the Public Bodies Management and Accountability Act, public bodies are required to be audited by external auditor (private firms) every year (see PI-9). In addition, the AUGD is responsible for auditing public bodies on a sample basis (the objective being at least every three years). With regards to parishes, the AUGD is impaired by the non-submission of their financial statements.

The AUGD is granted 197 posts by Establishment (see PI-18), of which 153 (124 auditors and 24 administrative staff) are currently resourced (due to budgetary constraints), reducing further its ability to deliver its obligations. The institution is composed of the following staff resources:

Professional Accreditations Level	**Number**
ACCA (including CPA)	16
ACCA Level 1 to 3	25
First degree in Economics, Management or Accounting	54
MSc in Economics, Management or Accounting	8
Associate Degree in Economics, Management or Accounting	6
Certificates or Diplomas in Economics, Management or Accounting	13
Caribbean Examination Certification	8
AAT/CAAT (ACCA based exam)	14
None (ancillary staff)	19
Total	**153**

Source: AUGD: 2012.

The Public Service

The personnel emolument amounts to approximately 12.9% of the total expenditures in 2012/2013, to which a significant share of the 29% allocated to grants and contributions (parishes and public bodies) should be added. It represents 60% of the primary expenditures (excluding interest payments and donor-funded Capital B). There is a total work force of 117,125 established personnel in the public service, out of which 13,973 posts are not resourced and remain vacant. This compares to an approximate 100,000 public servants, police and Jamaican Defence Forces in 2007 PEFA (4% increase). The present workforce includes approximately 20,000 teachers.

The human resources management and payroll systems are composed of three major functions: (i) management of human resources, that corresponds to selection, hiring, contract termination and registration of public employees, including those at public bodies managed by the Office of the Services Commissions, which is being progressively decentralized; (ii) the establishment of posts for each line ministry (at unit level), that is managed by the respective Public Sector Establishment Division; and (iii) the issuing of payroll, that is decentralized (albeit a small share is centralized at the Accountant General Department and there is a plan to recentralize it).

<u>Personnel Management: Office of the Services Commission:</u> The Office of the Services Commission is the administrative secretariat responsible for the five Commissions that supervise the employment of staff: the Public Service Commission, the Police Service Commission, the Judicial Service Commission, the Municipal Service Commission and the Parish Councils Service Commission. The Teachers Service Commission, the Health Regions, the Statutory Bodies and the Executive Agencies operate under separate rules as well as the Jamaican Defence Force. Each service is regulated by a specific regulation. As planned in the 2002 Ministry Paper 36, the OSC is introducing performance contracts for all public sector employees and is delegating authority to hire and to terminate employees to the departments. 2012 was the target year for all the central public sector human resources management to be delegated. It is now rescheduled to 2015. As part of the initial impetus, a Human Resources Management System (HRMS) was set-up, but was subsequently abandoned.

<u>Public Sector Establishment Division (PSED):</u> The PSED is the unit of the Ministry of Finance and Planning that is in charge of managing the establishment for the entire public sector (including public bodies, executive agencies, parishes, teachers, police, Auditor General's Department and Office of the Contractor General). This allows for a policy implementation mechanism on wage bill. The PSED acts as the secretariat to the Post Operation Committee, a high level committee that takes decisions on establishment (post renewal, restructuring) and its resource allocations (all established posts are not resourced, as such the establishment is both functional and a budget control). Currently the policy is constrained by agreement with the IMF: the intent is to reduce the overall wage bill weight. Although the Office of the Cabinet's Corporate Management Division may grant approval on a restructuring of a unit, as a matter of institutional organization, establishment and resource allocations are controlled by the Post Operation Committee[3].

[3] The committee is composed of Public Expenditure Division, Public Sector Establishment Division, Public Enterprise Division, Office of the Services Commission, Union and Office of the Cabinet. As such it ensures transmission of policy based control and data exercised by the MOFP.

Other Key Functions of the PFM

Accountant General: The Accountant General's Department (AGD) is responsible for all cash disbursements out of the Consolidated Fund. Accounting policy and guidelines are not dealt with by the Accountant General, but by the Public Expenditure Policy Coordination Division of the Ministry of Finance. The AGD does not issue financial circulars. It is the custodian of the Consolidated Fund to which all revenues shall be remitted. Specific funds may be created such as the road maintenance fund. Currently, revenues are not remitted to the Accountant General as the revenue agencies (TAJ and Customs Department) are tasked with a treasury function (i.e., tax refunds).

Ministry of Finance and Planning: The Minister of Finance and Planning is responsible to the Office of the Cabinet and Parliament for ensuring compliance by the MOFP with its responsibilities under the FAA Act. These responsibilities include the formulation of national economic policies and managing and coordinating the distribution of the Government's financial resources. The organizational structure of MOFP is appended to this document.

Internal Audit Function: The Internal Audit function is a compulsory requirement for all MDAs, executive agencies and public bodies. Their establishment is a requirement of the FAA Act, PBMA and Executive Agencies Acts. The Internal Audit's institutional structure was amended in the FAA Act in 2009. It established an Audit Commission whose role is to ensure the continued effectiveness of the Audit Committees in MDAs, and hence develops Audit Committee policies and standards, and promulgates best practices. The Audit Committees are established in each public entity to oversee the work of the internal audit units, and oversee the taking of corrective measures by the Accounting Officer or CEO, and reports on any matters required the attention of the Audit Commission, the Auditor General's Department or the Financial Secretary.

It was decided that the Internal Audit Directorate, Ministry of Finance and Planning, created in 2001 as a unit of the public expenditure policy coordination division, would act as the secretariat of the Audit Commission, and continue to provide guidance and oversight to the internal audit units in the MDAs and control the quality of their activities. The executive agency monitoring unit is responsible for internal audit in the executive agencies.

The internal audit units are typically composed of a chief internal auditor, with staffing ranging between 3 and 20 employees. The units report to audit committees composed of 7 members (2/3 external to the ministry including from the private sector and other ministries, 1/3 internal) which review the work, responses of management and recommend corrective actions. Currently, internal audit units and audit committees operate in all ministries, departments and agencies (and all self-funded public bodies except one). The IA function across Central government is comprised of the following staff resources:

Table 9: Staff Composition of Internal Audit Function of Central Government

Qualifications	**Number**
ACCA, CIA, CISA, accredited	8
ACCA Levels 1 to 3	27
First degree in Economics, Management or Accounting	63
MSc in Economics, Management or Accounting	8
Associate Degree in Economics, Management or Accounting	28
AAT or CAT	20
Certificates or Diplomas in Economics, Management, Accounting and Government Accounting Certificate	25
Caribbean Examination Certification	8
Total	**187**

Source: MOFP: 2012.

Table 10: Active Audit Committees in Ministries, Departments and Agencies

Total Ministries, Departments and Agencies	31
Total Audit Committees	***31***
Percentage active	***97%***
Percentage inactive	3%

Source: MOFP, 2012.

The Audit Commission is composed of 6 members including the Institute of Internal Audit, the Auditor General, the Office of the Cabinet, ICAG and the Ministry of Finance and Planning.

In addition to the internal audit system, that provides management support to improve quality of financial management and robustness of internal controls, the Public Accountability Inspectorate has the role to follow up on audits and investigate issues (stemming from audits or information received through other channels), and report on divisional performance. The Inspectorate was established by circular and is not backed by a legal instrument.

<u>Line Ministries and Sub National Levels of Government:</u> Permanent secretaries (Accounting Officers) of individual ministries are appointed as the administrative head of a ministry with specific responsibilities including compliance with the FAA Act as well as sound economic and expenditure management of the ministry's affairs. The Government apparatus in Jamaica is composed of constitutional bodies and ministries. Ministries may directly control fully funded public bodies. Following reforms in the late 1990's and early 2000's, ministries took on a role with focus on the policy level while agencies and public bodies were tasked with execution. A case in point is the ministry of health, which supervises 4 regional health authorities with specific challenges for financial management and policy transmission.

Financial Management Officers within Line Ministries: Financial management officers include principal finance officer, accountants, internal auditors and procurement officer, who report both functionally and administratively to the Accounting Officer. The Accounting Officer remains responsible for the financial management of its head to the financial secretary and can be called to account by Parliament (Public Accounts Committee).

Access to Public Information

Access to public information is governed by the Access to Information Act 2002. This Act sets out the guidelines for public access to Government information and is regularly utilized by parts of the public, especially the media. Civil Society reports that there is a positive change in access to information with a learning curve taking place and significant progress beginning only in recent years. For example, it is only in the past two years that an independent review of the new budget tabled to Parliament is conducted and published while debate is still ongoing. Civil Society organizations consulted point out that large sections of the population are disenfranchised. This has direct implications on tax compliance, procurement and demand on accountability for expenditure programmes.

The Broader Public Sector

Public Bodies and Statutory Authorities: In Jamaica, public bodies refer to state owned enterprises and autonomous Government agencies. Executive agencies, which are governed by the Executive Agencies Act, are semi-autonomous Government agencies. The Public Bodies Management and Accountability Act in 2001 lists the obligations and powers of public bodies with regards to their strategic and corporate planning, financing including debt, financial management including internal control and external audit and reporting. The Act was revised in 2010 and 2011 to enshrine the practice of tabling to Parliament the Public Bodies Estimates of Revenues and Expenditures.

The PBMA Act clearly states that public bodies, irrespective of their financing capacity, cannot borrow unless they have received authorisation by the Minister of Finance (see PI-17). Under the Public Bodies Management and Accountability Act in 2001 the Ministry of Finance and Planning is empowered to oversee and to control the financial management of public bodies. The Executive Agencies Act came into force in 2001 with a similar purpose; the executive agencies unit was created subsequently in the ministry. The budget-funded bodies and executive agencies are managed through their "parent" ministries and supervised by the public expenditure division of MOFP. All public bodies' and executive agencies' establishment is controlled by the Public Sector Establishment Division and their procurement is under the purview of the Contractor General.

According to MOFP Public Enterprise Division's data, there are presently 195 Public bodies organized in different types of companies, depending on the form of funding, as presented below.

Type	Number
Self-financing	90
Partially Funded (budget)	47
Fully Funded (budget)	58
Total	**195**

Source: PED, 2012.

The Local Authorities: There are two types of sub-national Governments in Jamaica: parishes and municipalities. The Acts defining their limited set of responsibility are the Local Authorities (Loan) Act and the Parochial Revenue Act. Local authorities take responsibility primarily for town planning, community amenities, maintenance of minor roads, water supply systems and street lightning, and importantly for running special assistance programme for vulnerable groups. There are 13 Parish Councils and two municipalities. Their budget is alimented by three sources of funding: i) General assistance grants from the central government, ii) parochial revenue fund resources from assigned and fixed shares of vehicle license registration fees and iii) property tax as well as their own self-raised revenue collection as business taxes, levies and fees. Funds being transferred from central government do not represent a significant percentage of total Government expenditure (< 1%).

The Executive

The Head of State is Queen Elizabeth II (since 6 February 1952) who is represented by the Governor General. The Governor General is appointed by the Head of State on the recommendation of the Prime Minister. Executive authority is established in the office of the Prime Minister, who is responsible for the day to day running of Government affairs. The leader of the majority party or the leader of the majority coalition in the House of Representatives is appointed Prime Minister by the Governor General following legislative elections; the deputy Prime Minister is recommended by the Prime Minister.

The Legislature

The Parliament is bicameral and consists of the Senate and the House of Representatives. The Senate is a 21-member body appointed by the Governor General on the recommendations of the Prime Minister and the leader of the opposition. The ruling party is allocated 13 seats, and the opposition is allocated eight seats. The House of Representatives consists of 60 members who are elected by popular vote to serve five-year terms. The last elections were held in 2011.

The Judiciary

The judiciary is constitutionally independent from the other two branches of Government. It includes an appeal court. The judges to the Supreme Court are appointed by the Governor General on advice from the Prime Minister.

Financial management information systems

- Over the past few years the Jamaican Government has been gradually rolling out (across Government) a standardized financial management information system FINMAN. The FMIS is proprietary software developed and managed by the Fiscal Services Ltd., a Government owned enterprise;

- The payroll is managed through 17 systems, including one proprietary software of Fiscal Services Ltd., Bizpaid. While roughly a third of the civil service is paid using Bizpaid, the service contract comes to an end in March 2013 and no replacement is yet agreed upon;

- Financial reporting is facilitated through a variety of products depending on the agency of Government. These include FINMAN, ACCPAC, off-the-shelf accounting software packages, and Excel.

3a Assessment of PFM Systems, Processes and Institutions

PI-1 Aggregate expenditure out-turn compared to original approved budget

Score A: Actual primary expenditure deviated from the originally approved budgeted primary expenditure by less than 5% in all of the past three years. It deviated by 3.8% in FY 2009/10 and by 0.7% and 4.7% in FY 2010/11 and FY 2011/12, respectively. High levels of wages, retirement benefits and subventions to public enterprises are major determinants of such deviations.

The ability to implement the budgeted expenditure is an important factor in supporting the Government's ability to deliver the public services for the year as expressed in policy statements. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. On aggregate, in none of the past three years has the actual primary expenditure deviated from the budgeted primary expenditure by rates greater than 5%. Budget execution diverged by 3.8% in FY 2009/10, by 0.7% in FY 2010/11, and by 4.7% in FY 2011/12 (Table 11).

Table 11: Comparison of Original Budgeted and Actual Expenditures, FY 2009/10 to 2011/12 1/

(In millions of Jamaican Dollars, unless otherwise noted)

	2009/10		2010/11		2011/12	
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual 2/**
Primary recurrent	204,780	198,024	201,781	204,558	220,963	231,565
Capital expenditure (Capital A)	20,217	18,502	36,232	35,204	31,030	32,148
Primary expenditure	224,997	216,526	238,013	239,762	251,993	263,713
Difference as % of budgeted primary expenditure		-3.8%		0.7%		4.7%

Source: Statistical appendix table 2.

1/ Excludes debt service payments and externally-funded capital expenditure (Capital B). Actual expenditure refers to warrants authorized and issued within the fiscal year.

2/ Unaudited expenditure data.

Major determinants of deviation in aggregate expenditure include high wage bills[4], domestically-funded capital expenditure (Capital A), and subsidies to public bodies and

[4] The wage bill still represents more than half of total primary expenditure and equivalent to 11% of GDP, is very high to regional standards, according to IMF sources—i.e., twice as much that of Trinidad and Tobago and several Central American and other small open Latin American and Caribbean countries.

retirement benefits, most noticeable in FY 2011/12 (Table 12). Reportedly, wage bills remain high, particularly within those large spending agencies such as the Ministry of Education and the Ministry of Health, where excess of administrative and auxiliary personnel is evident[5].

Noticeably, the aggregate expenditure outturn fell short of the original budget by almost 4% in FY 2009/10. This was attributed to a major shortfall in revenue flows and higher expenditure outlays, arising from costs associated with increases in higher than anticipated domestic interest payments due to the JDX. This phenomenon resulted in considerable cutbacks in Capital A, purchases of basic goods and services, and subsidies to public companies which, in turn, grew most rapidly in the subsequent two years. While rises in capital expenditure and transfers and subsidies to public companies aimed to boost economic growth and protect the most vulnerable groups of the population against shocks in fuels and food prices, it is not yet clear whether the spending measures have achieved the planned national development outcomes and in the most economical and efficient manner.

Table 12: Determinants of Budget Expenditure Deviation, FY 2009/10 to 2011/12

	Budget out-turn (%)			Budget weights (% of total)		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Primary recurrent	-3.3%	1.4%	4.8%	91.5%	85.3%	87.8%
Wages and salaries	0.4%	0.2%	4.3%	58.3%	53.4%	52.9%
Other expenditure	-9.2%	3.3%	5.5%	33.1%	31.9%	34.9%
Of which:						
Travel expenses and subsistence	-0.6%	-4.0%	8.1%	4.8%	3.9%	4.4%
Retirement benefits	6.5%	5.2%	2.0%	6.8%	7.3%	8.5%
Purchases of other goods and services	-20.7%	10.8%	4.9%	8.4%	8.2%	5.8%
Transfers and grants to LGAs	73.2%	21.5%	65.1%	1.6%	1.2%	1.8%
Other subsidies to PEs	-6.3%	14.1%	4.9%	4.5%	7.3%	6.5%
Capital expenditure (Capital A)	-8.5%	-2.8%	3.6%	8.5%	14.7%	12.2%
Primary expenditure	-3.8%	0.7%	4.7%	100.0%	100.0%	100.0%

Source: Statistical appendix table 2.

Progress made: In 2007 this indicator was rated B when the aggregate expenditure outturn was over 5% but less than 10% in two years. An A rating is given in 2012 where there is not more than one "outlier" year in which variance is more than 5%.

5 Noteworthy, data from the MOH shows that the proportion of medical to non-medical administrative and auxiliary staff in the public system reached almost parity in FY 2011/12, far from the international standard of 3 to 1 recommended.

PI-2 Composition of expenditure out-turn compared to original approved budget

Overall score (Scoring Method M1) B+.

(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

Score B: Overall variance in expenditure composition, excluding the contingency items, exceeded 5% but no more than 10% in each of the past three fiscal years. Variances observed were 7.2% in FY 2009/2010, 6.2% in FY 2010/11, and 8.4% in FY 2011/12.

Table 13 shows the difference between budgeted and actual expenditure for each main vote. The picture appears to be one in which unbudgeted increases in recurrent expenditure, particularly wages and salaries, by the Ministries of Education, Health and National Security and current transfers by the Ministry of Finance and Planning as well as capital expenditure by the Ministry of Transportation and Works and the Ministry of Energy and Mining, are partly offset by shortfalls in capital and recurrent expenditure across a wide range of other Government services.

Table 13: Composition of Budget Execution by Administrative Units, 2009/10 to 2011/12 1/

	Budget, adjusted (in millions of J$)			Actual (in millions of J$) 2/			Budget outturn (%)		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Office of Governor General	99	94	109	98	92	115	-1.4%	-2.7%	+5.8%
Houses of Parliament	633	644	698	613	665	702	-3.1%	+3.2%	+0.6%
Auditor General	266	303	365	289	293	329	+8.7%	-3.0%	-9.8%
Office of Prime Minister	9,768	8,326	11,761	8,356	7,211	7,902	-14.4%	-13.4%	-32.8%
Office of the Cabinet	462	475	629	720	464	800	+55.6%	-2.2%	+27.2%
Ministry of Tourism and Entertainment	2,792	2,203	2,339	2,531	2,091	2,081	-9.4%	-5.1%	-11.0%
Office of the Prime Minister (Local Govt.)	5,986	6,328	8,469	7,478	7,261	4,140	+24.9%	+14.7%	-51.1%
Ministry of Finance and Planning	32,533	53,597	53,790	36,713	48,141	52,666	+12.8%	-10.2%	+2.1%
Ministry of National Security	39,925	38,234	45,207	37,430	39,674	45,371	-6.2%	+3.8%	+0.4%
Ministry of Justice	3,496	3,359	4,684	2,934	3,286	5,836	-16.1%	-2.2%	+24.6%
Ministry of Foreign Affairs and For. Trade	2,523	2,642	2,841	2,209	2,407	2,538	-12.5%	-8.9%	-10.7%
Ministry of Labour and Social Security	1,837	1,762	1,855	1,734	1,949	1,968	-5.6%	+10.6%	+6.1%
Ministry of Education	71,402	72,333	76,222	72,774	72,032	76,191	+1.9%	+0.4%	0.0%
Ministry of Health	29,579	31,901	36,386	30,023	33,700	36,067	+1.5%	+5.6%	+0.9%
Ministry of Youth, Sports and Culture	2,344	1,891	2,121	2,157	1,878	2,000	-8.0%	+0.7%	+6.2%
Ministry of Agriculture and Fisheries	3,922	3,394	3,999	3,400	3,470	3,820	-13.4%	+2.3%	+4.9%
Ministry of Industry, Investment and Commerce	1,904	1,798	1,979	1,670	1,715	1,813	-12.3%	-4.7%	-9.1%
Ministry of Energy and Mining	608	514	1,871	478	580	3,076	-21.4%	+13.1%	+69.7%
Ministry of Water and Housing	940	860	1,266	810	856	913	-13.9%	+0.4%	-30.2%
Ministry of Transport and Works	5,056	8,646	6,373	3,688	11,530	8,247	-27.1%	+33.9%	+31.8%
Others 3/	451	458	749	423	465	7,140	-6.4%	+1.6%	+923.3%
Total allocated expenditure	216,526	239,762	263,713	216,526	239,762	263,713	-3.8%	+0.7%	+4.7%
Composition variance							7.2%	6.2%	8.4%

Source: Ministry of Finance and Planning.

1/ Excludes debt service payments and externally-funded capital expenditure (Capital B).
2/ Unaudited expenditure data for FY 2011/12.
3/ Includes Office of the Public Defender, Office of the Contractor General, Office of the Services Commission, Office of the Children's Advocate, Independent Commission of Investigations, Ministry of Housing, Environment, Water and Local Government, and Ministry Local Government and Community Development.

(ii) The average amount of expenditure actually charged to the contingency vote over the last three years

Score A: Actual expenditure charged to the contingency vote averaged 2.7% of total original budget over the past three years.

The contingency budget is established as a sub-vote 99 (unallocated) under the Ministry of Finance and Planning and is aimed mainly to cover shortfalls in recurrent expenditure in various administrative units (80% of total). Contingency items include allocations for wage increases and other expenditure payments arrears which are reallocated to the MDAs in supplementary estimates. Starting FY 2011/12, the contingency budget includes a capital provision for the use against unforeseen natural disasters amounting to J$1.5 million (Table 14). During the past two years, the total contingency allocations averaged about 2.7% of central government's total original budgeted expenditure.

Table 14: Composition of Budget Execution by Administrative Units, FY 2009/10 to 2011/12

(In 000' of Jamaican Dollars)

	FY 2009/10			FY 2010/11			FY 2011/12	
	Budget	Actual		Budget	Actual		Budget	Actual
Recurrent Provision			**Recurrent Provision**			**Recurrent Provision**		
Compensation			Compensation			Compensation		
Teachers' salaries		4,294,576	Salaries/allowances to nurses		1,486,000	General allowances		595,839
Wage increases to nurses		445,784	JDF arrears		514,000	Teachers salary arrears		1,899,297
JDF arrears		450,000				Health Sector salary arrears		162,043
Correctional officers		90,000				JDF salary arrears		561,000
Increases in general allowances		248,560				% Wage settlement		1,282,224
						Others		228,207
Sub-total		5,528,920	Subtotal		2,000,000	Sub-total	5,100,000	4,728,610
Programmes			Programmes			Programmes		
Shortfall in PRF for street lighting and public cleansing		1,708,000	Electricity arrears		500,000	Arrears in Drugs and Medical Supplies		475,412
Increase in social safety net		600,000	National Water Comm. arrears		500,000	Public utility arrears 2/		1,000,000
Increase in pension payments		900,000						
Outstanding bills		263,080						
Sub-total		3,471,080	Sub-total		1,000,000	Sub-total	1,690,512	1,475,412
Total Recurrent	9,000,000	9,000,000	Total Recurrent	2,000,000	3,000,000	Total Recurrent	6,790,512	6,204,022
Capital Provision			**Capital Provision**			**Capital Provision**		
Contingency for Natural Disaster	0	0	Contingency for Natural Disaster	0	0	Contingency for Natural Disaster	1,500,000	0
Total Contingency	9,000,000	9,000,000	Total Contingency	2,000,000	3,000,000	Total Contingency	8,290,512	6,204,022
Budget out-turn (%)		100.0%			150.0%			125.2%

Source: Ministry of Finance and Planning.

Progress made: Direct comparison is not possible due to changed methodology in the assessment of this indicator. A salient feature is that the level of contingency vote has been meaningless in the budget over the past three years. In 2007, overall variance in expenditure composition diverged by more than 15% in one year. In 2012, the variance, excluding the contingency items, exceeded the deviation in primary expenditure by more than 5% but less than 10% in each of the past three fiscal years.

PI-3 Aggregate revenue out-turn compared to original approved budget

Score D: In two of the three fiscal years the domestic revenues reached an aggregate out-turn of less than 92%. Actual domestic revenue (as a percentage of originally budgeted revenue) was 91.7% in FY 2009/10, 95% in FY 2010/11 and 90.9% in FY 2011/12.

The main sources of domestic revenue are composed by income tax, general consumption tax and customs duties. The revenue estimates and actual receipts presented for this indicator include tax revenue, non-tax revenue and capital revenue, but exclude loan receipts. A comparison of budgeted versus actual revenues demonstrates tax revenue outturns being consistently lower than estimates, with significant variations, while non-tax and capital revenues have shown more variance with peaks well beyond 50%. In two of three fiscal years under review the domestic revenues were lower than 94%, and in only one year were they lower than 92% (Table 15).

Table 15: Comparison of Original Budgeted and Actual Revenues, FY 2009/10 to FY 2011/12

(In millions of Jamaican Dollars, unless otherwise noted)

	FY 2009/10			FY 2010/11			FY 2011/12		
	Budget	**Actual**	**%**	**Budget**	**Actual**	**%**	**Budget**	**Actual**	**%**
Recurrent Revenue	290,401	282,980	97.4%	307,229	295,057	96.0%	326,535	303,192	92.9%
Tax revenue	274,943	262,787	95.6%	287,211	274,493	95.6%	308,456	286,196	92.8%
Non-tax revenue	15,457	20,194	130.6%	20,018	20,564	102.7%	18,080	16,996	94.0%
Capital Revenue	30,583	11,461	37.5%	18,324	14,943	81.5%	22,462	13,818	61.5%
Sub-total	320,983	294.441	91.7%	325,553	310,000	95.2%	348,998	317,011	90.8%
Transfers from the Capital Development Fund	750	510	68.1%	2,129	1,400	65.8%	1,786	1,822	102.0%
Total	321,733	294,951	91.7%	327,682	311,400	95.0%	350,784	318,833	90.9%

Source: Statistical appendix table 3.

A small open economy, highly sensitive to macroeconomic shocks and depending on tourism and the export of bauxite, Jamaica has achieved maintaining total tax burden in excess of 20% of GDP for the past decade. This compares favourably with regional and MICs standards. Yet, one of the persistent characteristics is the under-performance of the revenue collection thus raising concerns on the soundness of the tax administration system.

Tax revenue forecast is the purview of the fiscal policy unit at the Ministry of Finance and Planning. The unit engages with the Tax Administration Jamaica and the taxation division of the Ministry of Finance and Planning to do this forecast. Their work is based upon a tax forecasting model for Jamaica. The forecast process has three steps:

1 Establish the baseline considering the model and specific indicators such as growth, inflation, interest rates, exchange rate and international factors affecting the economy (e.g. crises reducing tourism, price of petrol…). These indicators are discussed and agreed upon with the Planning Institute of Jamaica and the Bank of Jamaica;

2 Estimate efficiency gains that can be made from administrative reforms such as Tax Administration Jamaica;

3 Estimate impact of new revenue measures on revenue collection.

The revenue collection agencies (Tax Administration Jamaica and Customs Department) share their assessment of revenue collectable. This is used as part of the forecasting exercise. However, in establishing targets, the revenue collection agencies report that the MOFP systematically seeks to drive performance by higher than "normal" business case targets. This implies de facto that unless significant reforms are done to the revenue structure, to the legal and regulatory framework, and to the revenue administration, it is unlikely that such targets can be met. This is a significant weakness and risk prone area undermining the fiscal responsibility framework. The described situation was confirmed in meetings within the MOFP where it was indicated that the growth potential and efficiency gains may be somewhat overestimated. The limited possibility for the Parliament to debate and change the forecast before budget formulation and preparation (see PI-27) affects the intent of the Fiscal Responsibility Framework as established in the FAA Act. As described in PI-27, the Parliament still receives the revenue estimates for voting after receiving the expenditure estimates, early in the corresponding fiscal year. The Fiscal Responsibility Statement, included in the Fiscal Policy Paper is also tabled early in the corresponding fiscal year after the tabling of the revenue estimates, therefore not permitting an informed debate to address potential over-estimation of revenue collections.

In addition, it is necessary to integrate an estimation of the impact of tax refunds and tax waivers. The table below attempts to provide such an estimation, although data availability and quality pose significant limitations (see PI-13, PI-14, and PI-15). For FY 2011/12, the only year for which more data is available[6], it reaches beyond 6% when compared to tax revenue outturns. The tax expenditure statement provided reports 6.8% and 6.2% of GDP respectively for 2009 and 2010.

6 For FY 11/12, more data is available as Tax Administration Jamaica was re-organised in April 2011, leading to significant changes in information systems.

Table 16: Tax Waivers and Refunds to Tax Revenue, 2009/10 to 2011/12

(In millions of Jamaican Dollars, unless otherwise indicated)

	FY 2009/10	FY 2010/11	FY 2011/12
Tax Revenue	262,787	274,493	286,196
Tax Refunds (Tax Administration of Jamaica)	11,400	15,313	15,017
Tax Refunds (Customs)	314	182	497
Total Refunds	11,714	15,495	15,514
Refunds and waivers (% of tax revenue outturns)	4.46%	5.64%	5.42%

Sources: TAJ, Customs; and assessors' calculations.

Progress made: In 2007 the rating was A, as tax and customs collections combined exceeded 97% in two of the three fiscal years. The deterioration in revenue performance is due to shortfalls in fiscal years 2009/10 and 2011/12 and possibly efficiency losses in tax administration.

Recent developments and change explanation: During the period 1991-2005, a number of revenue enhancement measures was introduced, in an attempt to balance the budget and meet the fiscal challenges that prevailed. Renewed efforts were attempted to support the goals set forth more recently, as part of the Fiscal Responsibility Framework.

Several sources firmly state that the tax system remains complicated and inefficient due to a broad range of non-standard tax rates and the absence of a uniform rate structure, low tax compliance levels, a narrow tax base (due mainly to various exemptions and the granting of various incentives and waivers), relatively high tax rates and high dependence on direct taxes (especially, income and payroll taxes). Only a few taxpayers bear the burden of selected taxes[7].

PI-4 Stock and monitoring of expenditure payment arrears

Overall score (Scoring Method 1) C+

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding financial year) and any recent change in the stock.

Score B: The stock of expenditure payment arrears (invoices of suppliers and contractors overdue 90 days), as reported by PEX, has declined by almost half over the past three years, with a level averaging about 1% of total expenditure. Concerns, nonetheless, remain with respect to the extended use of cash rationing and the adequacy of monitoring conditions, i.e., a large number of government bank accounts open in the financial system, negatively affecting the effectiveness of commitment controls and procurement plans.

7 Green Paper No. 1-2011, Tax Reform for Jamaica, Ministry of Finance and Public Service, May 11, 2011.

Presently, FINMAN is designed so as to record commitment requisitions (corresponding to funds reservation), a necessary step to use the warrants issued by Public Expenditure Division. The assessors noted that, as the basis is offline, it is not clear whether all necessary requisitions are entered. Furthermore, FINMAN does not record purchase orders. Only liabilities (certified invoices) tied to a requisition are entered.

Presently, the accounts payable are compiled through a standalone IT mechanism managed by PEX comprising outstanding balances (from 0 to over 90 days) due by the Government and the various MDAs to banks, suppliers and contractors. Those balances consist of invoices presented to the Accountant General's Department and not paid for over thirty, sixty, and ninety days. The balances exclude arrears to salary increases, social benefits and other expenditure items susceptible to enter into arrears not reported by MDAs and AGAs through PEX.

The reported stock of arrears by MDAs (invoices overdue more than 90 days) monitored regularly by PEX has declined over the past three years, from J$2.6 million in FY 2009/10 to J$1.8 million in FY 2010/11 and J$1.4 million in FY 2011/12 (Figure 1: Payables Overdue 90 days, 2009/10 to 2011/12 (In Jamaican Dollars)). This is an average level of only about 1% of total expenditure. According to PEX monitoring, the total expenditure payment arrears are concentrated mainly in the Ministry of Health (69% of total), attributed to drugs and medical supplies, and the Ministry of National Security and the Police Department Security (19% of total). However, the stock of arrears presented is the difference between warrants issued and funds actually available (referred to as "unfunded warrants"). It does not capture arrears that would be generated by committing on the basis of votes.

(ii) Availability of data for monitoring the stock of expenditure payment arrears.

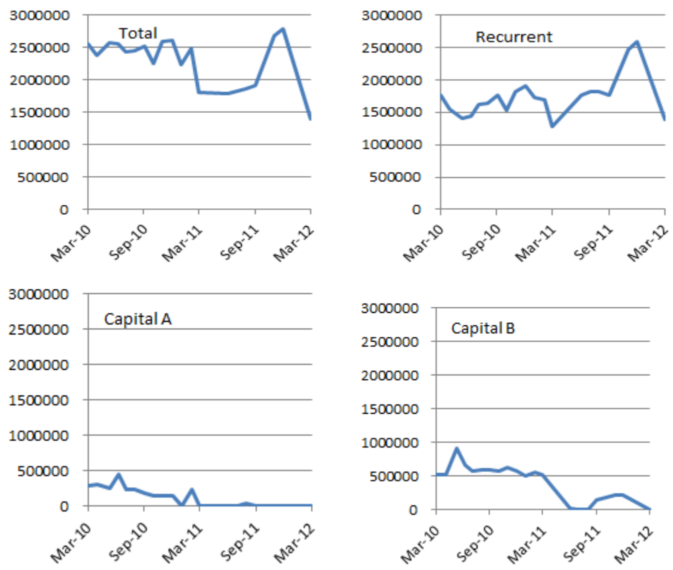
Score C: Data on the stock of arrears has been generated annually by an ad hoc registry procedure over the past two years, nonetheless, the definition and scope of expenditure payment arrears adopted does not commensurate with the overall fiscal transparency needs so as to include and monitor other key payables items such as salary increases and other social benefits.

A record of payment arrears is generated on a monthly basis by the PEX Division, which tracks invoices outstanding for payment through an ad-hoc decentralized ledgering mechanism. At present, the accounting system does not include an arrangement for tracking expenditure commitments from the time that orders are placed or contracts signed, while ministries are permitted to make commitments as long as provision is available in the relevant budget lines.

Data on stock of expenditure payment arrears are available on a monthly basis and have included payables 0-30 days, 31-60 days, 61-90 days, over 90 days, and total payables for recurrent, capital A, capital B, capital total, total accounts payables, and for MDAs. Most recently, the information has been consolidated on the basis of MDAs and Objects/Sub-Objects and is still being provided each month. Expenditure payment arrears are constituted by those unpaid invoices that are overdue more than 90 days.

Even though both MDAs and AGAs are required to maintain ledgers with accounts on payables and unpaid items, the assessors recognize that not all items are accounted for in a consolidated and a systematic manner by the PEX arrears monitoring facility—reportedly, certain items are captured through other means, such as the AUGD annual audit reports and the PED financial monitoring for self-financing public bodies. Thus, the extent of arrears unreported by PEX is compromising this available source's comprehensiveness and reliability.

Figure 1: Payables Overdue 90 days, 2009/10 to 2011/12 (In Jamaican Dollars)



Source: Ministry of Finance and Planning/PEX Division.

Progress made: In 2007 the indicator was not scored due to insufficient or unsubstantiated data and an arrears monitoring mechanism did not exist at all. The indicator has improved to C+ as the Government took initial steps towards measuring and monitoring of expenditure payments arrears; noteworthy, however, is the continuing lack of commitment controls affecting the measuring of expenditure payments arrears—commitments not being recorded as commitments requisition.

Recent developments: Verifiable information on expenditure payment arrears and the establishment of a form of monitoring constitute a good indication of reforms taking place in this area. Another major development was the cancelation of the deferred financing facility under the amended FAA of 2010 whereby no ministry can enter into a deferred financing agreement without the approval of Cabinet, and the approval of the terms of the financing arrangement by the MOFP. The amendment now provides for amounts payable under such agreement to be charged to an appropriation of the portfolio ministry in the financial year in which the payment becomes due.

PI-5 Classification of the budget

Score A: The budget formulation and execution is based on an economic, administrative and functional/programmatic classification that is broadly compatible with Government Finance Statistics (GFS) 2001 and Classification of the Functions of Government (COFOG) standards. Certain anomalies in economic and functional categories still prevail nonetheless. Revenues are also classified with sufficient detail in the budget system.

The budget is formulated on the basis of an organizational, functional/sub-functional and economic (object/sub-object) classification, as well as according to financial pattern, programme/sub-programme, and activity/project level segments. The budget system comprises a programmatic classifier with programmes being the principal element of a functional/sub-functional framework whereby policy objectives are set and strategies devised to achieve the purpose of a function, i.e., a homogenous cluster of activities/projects). The functional classification comprises a total of 25 functions, all of which do not necessarily coincide with COFOG classification, and allows for sub-functional COFOG reports. Other problems of classification also prevail amongst object codes, for example, with regard to Code 30 "Grants and Contributions" of which 60% go mostly to payment of wages and salaries for the operation of schools and hospital services (PEX division has been provided with basic recommended corrections in the chart of accounts' function and economic segments, as part of various reform initiatives, in recent years[8]).

A revenue chart of accounts has also been established under the FINMAN Ledgering System effective since April 1, 2012[9] to (i) facilitate the operation of the Central Treasury Management System (CTMS), (ii) enhance GOJ's capability to consolidate its financial statements and reports, and (iii) facilitate the implementation of Cash International Public Sector Accounting Standards (IPSAS). The long-term goal of migrating towards the accrual accounting standard has also been set forth and a standardized chart of accounts compatible with GFS2001 has been proposed as part of a roadmap to move towards Cash IPSAS and Accrual IPSAS standards[10].

Progress made and change explanation: In 2007 the rating was A, although certain problems in economic and functional classification have persisted until today and the budget system, not broadly consistent with GFS 2001, was not taken into account as would have been appropriate. The score remains an A, but the remaining gaps and anomalies in certain areas remain a concern, in particular with regards to financial reporting.

8 See, for example, «Accrual Based Chart of Accounts: Manual and Guide for Application and Conversion», Ministry of Finance and the Public Service, Deloitte and Touche, June 2011.

9 Circular No. 9, File No. 107/022 issued by Office of Financial Secretary, June 30th, 2011.

10 "Implementation of Accrual Accounting in the Public Sector: Principal Activities", Ministry of Finance and Planning, July 2012.

PI-6 Comprehensiveness of information included in budget documentation

Score A: Budget documentation fully complies with 7 out of the 9 benchmarks (Table 17). The budget documentation is presented together with a fair amount of detail in various financial reports, and basic data is now shown to the general public. It is nonetheless desirable that the number of budget documents presented is consolidated to enable a more conducive dialogue within the Executive and the Legislative on all major aspects related to public finance, rather than holding separate budget discussions on spending, and subsequently on revenue and other financing matters.

Table 17: Summary of Budget Documentation

Elements of budget documentation	Available	Notes
Macroeconomic assumptions, including at least estimates of GDP growth, inflation and exchange rate.	No	A Macroeconomic outlook is presented only for the following year in the front section of the **Memorandum on the Budget**. An assessment of the prospects for economic development as well as an indication of inflation is presented as part of the Macroeconomic Framework, but an estimate of the nominal exchange rate is lacking[11].
Fiscal deficit, defined according to GFS or other international recognized standard.	Yes	
Deficit financing, describing anticipated composition.	Yes	
Debt stock, including details of at least the beginning of the current year.	Yes	A dedicated section on public debt management is presented at the end of the **Memorandum on the Budget**. There is also a reasonably detailed statement of outstanding public debt in a separate budget report entitled "Financial Statements and Revenue Estimates" together with a medium term projection in the Fiscal Policy Paper. Reference of the debt stock is also made in the Fiscal Policy Paper and the Medium Term Debt

[11] Assessors noted the reasons expressed by GOJ for omitting a projected figure of the exchange rates as part of the macroeconomic outlook and yet, they cannot determine whether those reasons are right or not. Also, a medium-term trajectory for the main macroeconomic variables is lacking in the front section of the annual budget document submitted to Parliament.

Elements of budget documentation	Available	Notes
		Management Strategy, which also form part of the budget documentation. Due to the importance of the topic, a key notation on the public debt is nonetheless missing in the front end of the **Memorandum on the Budget.**
Financial assets, including details of at least the beginning of the current year.	No	Whilst available elsewhere, no information is included in the budget documentation.
Prior year's budget outturn, presented in the same format as the budget proposal.	Yes	Prior year's budget outturn and the budget proposal are presented in a **functional and economic classification**; the former includes (sub) programme and activity levels, **for every administrative budget head of Government**.
Current year's budget (revised budget or estimated outturn), presented in the same format as the budget proposal.	Yes	Current year's revised budget and the budget proposal are presented in a **functional and economic classification**; the former includes (sub) programme and activity levels, **for every administrative budget head of Government**.
Summarized budget data for both revenue and expenditure according to the main budget heads of the classification used, including data for current and previous year.	Yes	**Memorandum on the Budget** includes revenue and expenditure data presented according to main budget heads of economic classification.
Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy and/or some major changes to expenditure programmes.	Yes	Corrective revenue measures and expenditure reducing measures have been identified and budget implications weighed in the **Fiscal Policy Paper** for gradually achieving the Fiscal Responsibility Framework budget balancing goals to FY 2015/16.

Progress made: The budget documentation fulfilled only 4 of the 9 benchmarks in 2007. Today it meets 7 benchmarks and as a result, the score improved from C to A.

PI-7 Extent of Unreported Government Operations

Overall score (Scoring Method 1): D+

(i) Level of unreported extra-budgetary expenditure

Score NS: Data of unreported off-budget expenditure operations, although not all quantifiable, was availed to the assessors from a number of sources. Tax Refunds Arrears which constitute a financing item are not included, but quantified to approximately 10% of annual expenditures.

A large panel of potential sources of unreported operations was researched, helping to unveil information. A methodological note is attached in Annex 2 providing detailed explanations for each item considered including the following:

- Public Bodies;
- Appropriation in Aid (AIA);
- Expenditure Payment Arrears;
- Public Private Partnership receipts;
- Tax Waivers and Tax Refunds (including Tax Refunds arrears – Tax Refunds not effected during the same fiscal- that constitute a financing item).

Although information was not always quantifiable, evidence of unreported Government operations for arrears, tax waivers and tax refunds was found (table 18).

Considering the institutional structure of central government budget, the assessors found evidence of unreported Government operations that could not be quantified. The AUGD and PED have not reported any major off-budget activity by MDAs and AGAs, respectively.

The issue of tax expenditure has gained greater relevance in recent years, and expenditures are now reported in a tax expenditure statement. However, the tax refund mechanism experiences difficulties as tax refunds are not done during the year of receipt and tax refunds arrears (stocks) accumulate. As such they constitute a financing item, while actual tax refunds done cannot be attributed to the current fiscal year, constituting a payment. Tax refunds are to the tune of 5 to 6% of total expenditures per year while tax refunds arrears reach approximately 10%. They are not considered in (table 18)[12].

[12] Clarifications on whether tax refunds and tax refunds arrears should be incorporated into the calculation was obtained from PEFA Secretariat in response to GOJ comments and queries. It was also indicated that there is insufficient information to rate this dimension.

Table 18: Unreported Government operations, 2009/10 to 2011/12

(In millions of Jamaican Dollars, unless otherwise noted)

Fiscal Year	**2009/2010**	**2010/2011**	**2011/2012**
Budget Expenditure (in million J$)	***216,526***	***239,762.00***	***263,713.00***
Off budget items			
Payment Arrears (unrecorded orders)	Unreported	Unreported	Unreported
Tax Waivers (Values granted by Ministerial decision)	Unknown	Unknown	Unknown
Tax Waivers (Values granted through Appeal process)	0.18%	0.94%	0.30%
Unreported as % of total budget	***Unknown***	***Unknown***	***Unknown***

Sources: Bank of Jamaica; Auditor General's Department; Tax Administration Jamaica; and interviews with officials of selected MDAs.

(ii) Income/expenditure information on donor-funded projects, which is included in fiscal reports

Score A: Data on externally-funded projects, loans and grants, are included in various budget reports (Capital B) with specified recording and reporting based on GFS classification. Donor in-kind aid is not systematically reported.

The donor-funded projects are reflected in the Capital B section of the budget and disaggregated according to the budget classification (although their title capital is questionable, inherited from a past practice to classify all donor loans and grants as capital budget, the details of expenditures are classified at the object level). Interviews with PIOJ and the donors (see D-2) imply that all expenditure/income information is included in fiscal reports (including budget support as it is treated as a revenue component).

Progress made and change explanation: In 2007, extra-budgetary spending was estimated at about 5% of the total budget, which resulted in a C rating on dimension (i). The assessors undertook an analysis with a view to unveil information from a large panel of potential sources of unreported operations. The magnitude of tax refunds arrears is quantified at beyond 10% of budgeted figures as of 2011/2012, and represents an unreported government operation. External loans and grants are more clearly reported in the budget (estimates of expenditures) and financial statements, in accordance to the budget classification (GFS presentation in Capital Expenditure B). This explains the change in score from C to A.

PI-8 Transparency of Inter-Governmental Fiscal Relations

Overall score (Scoring Method 2): C

The sub-national Governments in Jamaica comprise parishes and municipalities, which have a limited set of fiscal responsibility (primarily responsible for town planning, community amenities, maintenance of minor roads, water supply systems and street lightning, and importantly for running special assistance programmes for vulnerable groups). There are 13 Parish Councils and two municipalities. Three sources of funding aliment their budget: i) General Assistance Grants (GAG) from the central government, ii) Parochial Revenue Fund (PRF) resources from earmarking and fixed shares of vehicle license registration fees and property tax and iii) their own self-raised revenue collection as business taxes, levies and fees. Funds being transferred from central government do not represent a significant percentage of total Government expenditure (approximately 1%).

(i) Transparent and rules based systems in the horizontal allocation among SN Governments of unconditional and conditional transfers from central government (both budgeted and actual allocations);

Score A: More than 90% of all central government transfers to local government organizations are based on clear rules, specified in the Parochial Revenue Act and based on specified grant calculation metrics.

The allocations of funds for the vehicle license registration fees and for the property tax collected in the PRF and the GAG are defined by the Parochial Revenue Act (Table 19). The regulations of this Act are applicable to municipalities on the basis of their parishes.

Table 19: Allocation rules and proportions of sources of funds granted to Parish Councils

Source of Funds		**Allocation Rules**	**% of entity budget**
Parochial Revenue Fund	Property Tax	90% in the relevant parish	Estimated at 20%
		10% through the equalization fund (based on proposal by the parish)	
	Vehicle License Registration Fee	25% in the relevant parish	
		75% on the basis of the number of miles	
General Assistance Grant (3 components: administration, infirmary, water supplies)		Grant for administration with large share of personnel emoluments as determined by the Public Sector Establishment Division (same rule as for all public sector entities)	Estimated at 40%
		Number of aged resident	
		Number of public pipes	

Source: Ministry of Local Government.

The Ministry of Local Government disburses the funds on a monthly basis as provided for in the Parochial Revenue Act, and on the basis of regular monthly reporting and cash flow submission by the parishes. Since 2002, it deducts and pays out directly to the National Solid Waste Management Authority the costs of refuse and rubbish collection. Memoranda of Understanding between central government and sub-national governments establish the legal basis.

Table 20: Allocations to sub-national authorities: Parochial Revenue Fund and General Assistance Grant, FY 2009/10 to FY 2011/12

	FY 2009/10	FY 2010/11	FY 2011/12
To Parishes	1394,4	1389,6	1428,3
Paid on behalf of parishes	1818,4	1050,0	1972,3
Total	3212,9	2439,6	3400,6
Share of Government Budget	***1.6%***	***1.2%***	***1.5%***

Source: Ministry of Local Government.

The elements of GAG paid on behalf of the parishes and to the Parochial Fund represent the deficit financing of the Parochial Fund. The deficits arise from two main components:

- The Parochial Fund resources, even if collected 100%, are not considered sufficient to meet all the service requirements for which parishes are responsible;
- The local taxes that feed the fund are not collected, and are based on inadequate valuation (property tax).

From discussions held with MOLG, it seems unlikely that the financing structure of 20% Parochial Fund, 40% GAG and 40% own sources are being attained; parishes are carrying payment arrears.

(ii) Timeliness of reliable information to SN Governments on their allocations from central government for the coming year

Score D: There is no reliable information issued to the parishes for their budget preparation in a timely basis, although the clarity of the budget rules, the financial practices and budget trends appear to be providing a consistent and reliable basis for preparing detailed budget estimates.

All parishes submit an annual budget to the MOLG by December of the current year. There is no call circular, but a reminder letter from the Ministry, usually requesting authorities to be conservative in their estimates, basically using the previous year's revenue collection in the PRF and the GAG as a guide. Although this is not a clear ceiling indication, it is considered that it does not limit the authorities in their estimates, really leaving only their own revenues to be estimated. Once the Ministry has received its ceiling as part of the central government budget process, it enters into dialogue with the parishes. It usually completes the budget negotiations for inclusion into the central government budget for the new fiscal year by end of March of the current year. This process means that parishes do not receive an estimate until the central government budget has been finalised.

(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general Government according to sectoral categories.

Score D: All parish councils and municipalities provide an annual budget and monthly accounts statements (budget execution reports) to the Ministry of Local Government for the share of funds received from the central government. No consolidation takes place. The Auditor General is required by law to audit the parishes' financial statements. However, the classification and accounting standards used by parishes are not consistent with the standards of the central government and delays beyond 12 months are experienced.

Parishes should submit their budget and monthly expenditure returns to the Ministry of Local Government. These submissions only cover the share corresponding to PRF and GAG. No consolidation takes place although the legal framework requires it. The internal audit unit of the ministry audits the parishes with two dedicated teams. Each parish and municipality is required to submit financial statements to the Auditor General annually, but evidence shows that they have been in arrears (see PI-26). The statements are not presented in a consistent format with one another and with the Government accounting principles and classification, as each parish uses its own standard. In 2009/10, given the backlog of submission of annual financial statements to the AGD, funds release was conditioned upon submission of these statements. While this mechanism worked, it created a backlog of audit for the AGD. Parishes now argue that they cannot submit annual financial statements in absence of agreement on the way forward. Although information derived from such audit is of low value, the present situation creates a gap of fiscal oversight and does not allow consolidation of all parishes' fiscal information.

Progress made and change explanation: The MOLG has initiated reform initiatives aimed at the development of parishes' and municipalities' corporate plans, as a basis for good budgeting using FY 2009/10 and FY 2010/11 as reference years for comparing allocations and the plans' requirements. The rules applied and the volumes of transfers have been better appraised, leading to a change of score for sub-dimension (i). Sub-dimension (iii) benefited from better evidence. The overall score of the indicator changed from C+ in 2007 to C in 2012.

PI-9 Oversight of Aggregate Fiscal Risk from Other Public Sector Entities

Overall score (Scoring Method 1): A➚

(i) Extent of central government monitoring of autonomous Government agencies and public enterprises

Score A➚: All major public bodies outside the direct control of their parent ministry (self-financing companies) are supervised by MOFP Public Enterprise Division on the basis of budget reports and corporate plans issued quarterly and annually. The PBMA Act lays out the extent of their obligations, and restricts their borrowing power to the Minister of Finance's authorisation. The PED ensures that a consolidated annual financial statement is submitted to Parliament. PED reports weekly to the Fiscal Policy Committee and, whenever necessary, to the Cabinet for decision-making and policy steering on fiscal risk. GOJ liabilities are known, recorded and reported on this quarterly basis. All other public bodies are controlled under the central government budget and cannot borrow without authorisation of the Minister of Finance as for any central government debt. All public bodies are also subject to external audit and Contractor General supervision on a quarterly basis. The PED determines all public bodies' establishment.

The Public Bodies Management and Accountability Act (PBMA) of 2001 lays out the obligations and powers of public bodies with regard to their strategic and corporate planning, financing including debt, financial management including internal control and external audit and reporting. It was amended in 2010 and 2011 to enshrine the practice of tabling to Parliament the Public Bodies Estimates of Revenues and Expenditures. The PBMA Act clearly states that public bodies, irrespective of their financing capacity, cannot borrow unless they have received authorisation by the Minister of Finance (see PI-17)[13]. In addition, all public bodies have to conform to the Companies Act with regard to their accounting standards and are to be audited annually.

The Public Enterprise Division of MOFP has crafted procedures and practices to supervise the implementation of the Act and the pertaining fiscal risk. It is currently undergoing a reform to strengthen its oversight capacity. Presently, limitations in human resources impair PED's ability to follow up on all issues, although it has managed to retain the oversight of all self-financing public bodies. From an initial focus on approximately 20 risk-prone self-financing public bodies, PED now covers all 90 entities (see Chapter 2 for details on institutional organization). This is about to change as it has developed a new Division Strategic Plan, including an organizational restructuring, approved by Office of the Cabinet (Corporate Management Division, although it still seeks approval for the necessary establishment). The Public Expenditure Division oversees 12 executives agencies, whose powers are also strictly limited and do not represent a fiscal risk with regard to debt or establishment, as determined in the Executive Agencies Act. In addition, the Division controls all transfers to the partially and fully funded public bodies.

The self-financing public bodies' annual budget submitted to Parliament is roughly equal to the size of central government budget that also includes all partially and fully funded public bodies and executives agencies (excluding interest payments).

All public bodies have to submit a corporate plan on January 1st that serves the Public Enterprise Division as basis to prepare the public bodies' budget tabled to Parliament along with the central government budget. These plans, rolling on a 3-year horizon, cover all

[13] It was reported in the PEFA 2007 that these controls may have been by-passed prior to 2006 through the issuance of Letters of Undertaking by the Minister of Finance to banks in support of loan applications by Public Enterprises. Interviewees and evidence confirmed this strict PBMA Act enforcement.

major investment programmes and form the basis for the oversight of budget execution. The Public Enterprise Division agrees on targets with public bodies on their capital expenditure programmes, providing a useful link with the oversight on procurement exercised by the Office of the Contractor General. Public bodies are also due to report quarterly according to a specific template (Statement A) and annually with their submission of their audited financial statements. As depicted in the table below, compliance is high, although delays occur (inferior to a quarter).

Table 21: Compliance of quarterly submissions by Self-Financed Public Bodies (Statement A)

Compliance	Percentage
Submission	95-100
Timely (average)	63
Timely (minimum)	44
Timely (max)	87

Source: MOFP/PED.

All public bodies, as all procuring entities, are also required to report quarterly to the Contractor General, ensuring an oversight of their compliance to procurement regulations. Partially and fully funded public bodies and executive agencies do report monthly to the Procurement Unit of MOFP Public Expenditure Policy Coordination.

All public bodies are required to have set up an internal audit unit and an audit committee that report directly to the Board of Directors (about 85% bodies have done so according to the MOFP). All public bodies are audited annually by an independent auditor and on a sample basis by the Auditor General. The International Financial Reporting Standards (IFRS) have been adopted and thus all public bodies using accrual accounting are supposed to apply these standards. In addition to PED, the Public Sector Establishment Division is responsible for all public bodies' and executive agencies' establishment.

The supervision framework ensures that transfers, debt and liabilities and wage bills are under the direct control of the MOFP. Information is shared during the Fiscal Policy Meeting held every week to support decision-making. [14] In these meetings, issues are raised systematically and addressed. PED prepares notes to the Cabinet when necessary. Whilst those mechanisms ensure that oversight of fiscal risk translates into policy implementation and decision-making, PED acknowledges it still has to improve its weighing of risk with regard to a large number of financial institutions, including state banks, mortgage and insurance companies, in a more meaningful manner and secure the necessary skilled personnel.

A case in point is PetroCaribe: although there is a disagreement on the interpretation of what should be reported as debt between IMF and the Government, this disagreement is not arising from a shortcoming of oversight or poor system performance, as this treatment

14 PED is member of the Fiscal Policy Meeting: these meetings take place weekly and involve Debt Management Unit, Establishment Division, the Fiscal Policy Management Unit, the Public Expenditure Division and the Financial Secretary.

of debt is duly reported in the public bodies' estimates of revenues and expenditures. It is a matter of policy[15].

(ii) Extent of central government monitoring of sub-national Governments' fiscal position

Score A: The fiscal position of local authorities is monitored by the Ministry of Local Government as provided by law but no consolidation takes place and parishes fail to comply with submissions of annual financial statements to the Auditor General´s Department for external audit. MOLG exercises oversight through monthly expenditure reports and internal audit. Their borrowing power is strictly limited by direct authorisation of the Minister of Finance and the Parliament: no debt has ever been authorized nor accrued by parishes. They cannot generate liabilities for the Government.

Local authorities are supervised by the Ministry of Local Government. According to the Loan (Local Authority) Act of 1958 (and the Municipalities Act of 2003), local authorities can only borrow upon direct approval of the Minister of Finance. This has never been done: no debt is currently recorded. The Public Sector Establishment Division controls local authorities' staffing levels. Central government grant resources are used to directly pay the largest service providers such as for lighting and waste management. This confines local authorities' fiscal risk to payment arrears (unreported commitment), although it may be argued that, as recipients of Government grants, they are independent entities. Further, a central government pays directly large suppliers potential payment arrears are limited. All local authorities have to report annually to the Ministry of Local Government although MOLG reports that no consolidation takes place. They have to submit their financial statements to the Auditor General, although this is currently in arrears. There are no sanctions tied to the non-submission.

Progress made: In 2007, the indicator rated A on both dimensions. The assessment of 2012 did not result in change in the scoring, except that PED's continued effort to build new expertise to cope with the oversight of the various public bodies operating in different sectors and business activities has been noted.

Recent developments: The PED recognises that fiscal risk is incurred even in the case of partially and fully funded PBs in the form of their capital expenditure programmes and assets management, although the Office of the Contractor General and the Asset Management Division of MOFP do already provide oversight. The PED's intention is to harmonise all public bodies' oversight and centralise this information for decision-making. The PED has developed a new Division Strategic Plan, approved by the Office of the Cabinet that is responsible for the public sector transformation.

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15 Its debt being domestic, although guaranteed, the practice has previously been to exclude it from the total public sector debt. IMF's last report included this as debt. This is supported by the Government's unwritten policy to bail out defaulting public enterprises in past practice. This would imply that debt of a critical public body is an implicit contingent liability when not guaranteed, and explicit when guaranteed.

PI-10 Public Access to Fiscal Information

Score C: The Government makes available to the public (in a complete form) two of the six listed types of information, namely, the annual budget documentation and contracts awarded above the direct purchase threshold (Table 22).

Table 22: Summary of fiscal documentation

Elements of fiscal documentation	Available	Notes
Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.	Yes	See explanatory notes in PI-6 above. All the budget documentation submitted to Parliament is available on line.
In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	No	Scope of in-year budget execution reports does not commensurate with key reporting needs. Whole-of-Government monthly reports on revenue and expenditure out-turns are available to the public, solely on the basis of economic classification, with one month lag. In-year budget execution reports are not devised so as to break down by MDAs. See further explanatory notes in PI-24 below.
Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	No	Although the current legislation does not require for Whole-of-Government annual financial statements, MDAs are required to submit their statements in a timely manner. Not all individual MDA reports, however, are released in a complete and timely manner nor are they made available to the general public by appropriate means. See further explanatory notes in PI-25 below.
External audit reports: All reports on	No	The Auditor General's

Elements of fiscal documentation	Available	Notes
central government consolidated operations are made available to the public through appropriate means within six months of completed audit.		Department issues its annual audit report and posts it online when tabled to Parliament. However, there is no publishing of a consolidated audited financial statement. See further explanatory notes in PI-26 below.
Contract awards: Awards of all contracts with value above approx. USD 100,000 equivalent are published at least quarterly through appropriate means.	Yes	All contract awards above the direct purchase threshold are reported in the Quarterly Contract Award on the websites of the Office of the Contractor General and the National Contract Commission at the level above the threshold of the Head of Procuring Entity authority. Data is available and verifiable and is sought to improve further with the new QCA format.
Resources available to primary services units: Information is publicized through appropriate means at least annually, or available upon request, for primary services units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	No	After the issuing of a Public Expenditure Review in 2006, there has been one relevant report for key sectors whose focus was on strategic planning and not to inform on the quality of certain public expenditure programmes and survey on the quantity and quality of resources received for the operation of primary service delivery units across the country.

Progress made: A major change in the score has occurred since 2007, when the indicator was rated B. The score in the 2012 assessment is now C revealing that consolidated reports on the Government's annual finances and their certified statements and appropriate in-year budget execution reports are lacking and reports on resources available to primary service units were no longer produced in the past three years. On the other hand, a complete set of budget documents is now made available to the public by appropriate means.

PI-11 Orderliness and Participation in the Annual Budget Process

Overall score (Scoring Method 2): B

(i) Existence of and adherence to a fixed budget calendar

Score C: An annual budget calendar exists but it is rudimentary, with activities and times not specified in an explicit manner, followed through only by custom/default, and delays are frequent as a result.

The general shape of an annual budget calendar has been established by custom, and only recently the need for establishing a fixed budget calendar was discussed in more depth, as part of the efforts to put together a MTEF and a more thorough corporate planning process. The budget year runs between April 1 to March 31st, beginning with a macro-fiscal forecasting exercise between July and September and ending in March with the Minister of Finance tabling the budget appropriation bill to the Parliament. Usually, the submission of detailed budget requests by MDAs is undertaken within two to four weeks of the Budget Call being issued by MOFP. The budget calendar is not specific; no information from MOFP is provided as to when the detailed budget estimates should be prepared by MDAs and AGAs, how many weeks should be allocated to this task and when it should be completed (time often varies to achieve this task, but usually the entities undertake this mission between November and January—some MDAs start earlier than others). An examination process takes place entailing constant discussions/meetings and negotiations with ministries and departments at different levels. At this point in time MDAs are provided with the opportunity to express, if needed, the difficulties they face in accommodating their requirements within the ceilings. Sometimes adjustments are made through reallocation of funds in order to accommodate shortfalls. The duration of the examination process often varies within a tight schedule.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

Score A: A clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet together with general guidance on expenditure priorities, upon which MDAs are required to prepare their annual submissions.

Usually, between August and September, there is a submission to Cabinet, outlining the macro targets developed out of a macro-fiscal forecast exercise and the priority policies for the next year. Then, between October and November, the MOFP issues the Budget Call and the Revenue Call to all MDAs, requesting the submission of the draft budgets (or budget request) for the upcoming year. The Budget Call includes: (i) expenditure ceilings within which the budget is to be cast; (ii) guidelines within which the expenditure and revenue projections are to be prepared; and (iii) the date for submission to the MOFP, usually December or January.

In an examination stage, the estimates of expenditure are prepared by PEX Division at MOFP. The estimates of expenditure include the recurrent and Capital A and B budgets. The process entails constant discussions/meetings and negotiations with senior management including Permanent Secretaries and Ministers. Following the discussions, a draft budget is prepared by the MOFP for Cabinet approval of the allocations as recommended. The Submission sets out the requests, the allocation for each Ministry and Department, and explains the variances, if any. Upon approval by Cabinet, the estimates of expenditure are printed, usually at the middle of March, and prepared for tabling in Parliament by the Minister of Finance.

(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)

Score C: Parliament has, in two of the past three years, approved the estimates of expenditure and revenues within two months of the start of the financial year. There is no joint session for reviewing the overall financing and expenditure matters pertaining to the annual budget. There is no timetable specified in the budget calendar for legislative scrutiny of the annual budget reviews, nor it is clear the extent of which the budget review is to be performed by the Parliament on revenue collection and expenditure for the Government as a whole and individual MDAs, for the current year and the comparison with previous years, including the implications in public borrowing and other key FRF variables.

As a general practice established by Constitution in 1962 the Parliament approves the estimates of expenditure after the start of the fiscal year[16]. It is required that the Budget Appropriation Act is passed before the end of the carry-on (Vote-on-Account) period which can cover the period April to July. It is unclear how much time the Executive and Parliament are provided with, respectively, for tabling and approval of the annual budget estimates.

During fiscal years 2010/11 and 2011/12, the Budget Appropriation Bill was passed by Parliament within two months of the start of the financial year. For the budget covering FY 2012/13, the Parliament authorized the implementation of the budget in a less punctual manner. See below the approval of the expenditure budget estimates for the past three fiscal years.

In other countries, where Parliament has not yet approved the budget before the budget year starts, Government is usually allowed to start spending on a "Vote on Account" basis--a temporary authorisation, often restricted to one-twelfth per month of the previous year's

[16] Article 118 of the Constitutes states that "the House of Representatives may by resolution approving estimates containing a vote on account, authorize expenditure for part of any financial year before the passing of the Appropriation law for that year, but the aggregates sums so voted shall be included, under the appropriate heads, in the Appropriation Bill for that year."

expenditure. In Jamaica the VOA arrangement has extended to up to three months, which is not a good practice. Once approved, parliamentary authorisation is established for one year and the authorisation period is set monthly by warrant.

Fiscal year	Appropriation Bill tabled in House of Representatives (Opening Budget Speech)	Passed in Lower House (Closing Budget Speech)	Passed in Upper House (Senate Discussion)
2010/11	April 8th, 2010	April 21st, 2010	April 30th, 2010
2011/12	April 28th, 2011	May 11th, 2011	May 20th, 2011
2012/13	May 24th, 2012	June 6th, 2012	June 15th, 2012

As for the revenue budget estimates, the approval by Parliament for fiscal years 2009/10, 2010/11 and 2011/12 took place on 8th May 2009, 16th April 2010 and May 13th 2011, respectively.

Progress made: No formal progress has been instituted by MOFP insofar as establishing a clear fixed budget calendar with specific activities and timelines required for MDAs, AGAs and Parliament to follow through for budget preparation, reviewing and approval in an orderly fashion. Although the overall rating of this indicator has remained in B, the absence of a fixed budget calendar has become more of an issue today with increasing delays in completion of the budget process in the past three years—the assessment in 2007 gave a rating of C on dimension (iii) but was insufficiently evidenced to make a comparison with 2012.

PI-12 Multi Year Perspective in Fiscal Planning, Expenditure Policy and Budgeting

Overall score (Scoring Method 2): B

Medium-term fiscal planning is underpinned by the Fiscal Responsibility Framework (FRF), which has been in effect through amendments to the Financial Administration and Audit (FAA) Act in 2010. The FRF represents the Government's commitment to structural and fiscal reforms to proactively manage the public finances and ensure both fiscal and debt sustainability (for further information on the FRF and reforms of relevant financial legislation, see Chapter 2 on the Legal and Institutional Framework).

Initial steps have been taken towards the implementation of a medium-term expenditure framework (MTEF) across Government, within which articulated ministerial corporate plans and policy objectives are to be integrated. The necessary legal and regulatory work is being undertaken in order to make the MTEF part of the annual budgeting and strategic corporate planning.

(i) Preparation of multi-year fiscal forecasts and functional allocations

Score C↗: Forecasts of fiscal aggregates are prepared according to main categories of economic classification (salary and non-salary expenditure) and (sub) functional classification for three years on a fixed basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are not yet operational and clear although the assessors recognize their integration is on firm progress.

Jamaica's current national development strategy is embodied in a long-term development plan, named 'Vision 2030 Jamaica – National Development Plan'.

The National Development Plan which comprises sector strategies is underpinned by a medium-term fiscal framework (MTFF) and medium-term expenditure framework (MTEF) which link the plan to the budget process. The National Development Plan is linked to the annual budget through the following mechanisms: (i) the alignment of the organizational outcomes and targets of ministries, departments and agencies with national outcomes and targets; and (ii) the inclusion of priority national strategies and actions in the corporate plans and budgets of each ministry, department or agency. Key sector strategic priorities are reflected in the MTEF, and in the corporate and operational plans and budgets. These are broadly reflected in the most recent annual budget to varying degrees, based on the level of alignment in each ministry, department or agency after the first year of implementation of the National Development Plan. Under the MTEF, the priority national outcomes of the Medium-Term Socio-Economic Policy Framework will also be used as criteria in the selection of priority capital projects under the annual and three-year capital budgets. Performance oriented budgeting is also being introduced, and the MTEF is being piloted in six ministries since 2011. In subsequent years performance evaluation will influence the adjustments to the annual baseline resource envelopes for each ministry and the prioritization of resource allocation for ongoing and new capital projects.

Box 1: Components of Vision 2030 Jamaica

The Vision 2030 Jamaica National Development Plan has three components:

1. Integrated National Development Plan:
The National Development Plan presents the overall plan for Vision 2030 Jamaica, integrating 27 sector plans into a single comprehensive plan for long-term national development. The integrated National Development Plan presents the National Vision, the four National Goals and fifteen National Outcomes, and the National Strategies required to achieve the national goals and outcomes.

2. Medium Term Socio-Economic Policy Framework (MTF):
The Medium Term Socio-Economic Policy Framework (MTF) is a 3-yearly plan which summarizes the national priorities and targets for the country and identifies the key actions to achieve those targets over each 3-year period from FY2009/2010 to FY2029/2030.

3. Twenty seven (27) Sector Plans:
At the sectoral level Vision 2030 Jamaica will be implemented through the strategic frameworks and action plans for each sector as contained in the respective sector plans. Vision 2030 Jamaica includes a total of twenty seven (27) sector plans covering the main economic, social, environmental and governance sectors relevant to national development.

The Medium Term Socio-Economic Policy Framework (MTF) is the main mechanism for translating Vision 2030 Jamaica's long-term national goals and outcomes into action. Vision 2030 Jamaica will be implemented through a series of seven consecutive 3-yearly MTFs from fiscal year 2009-2010 to fiscal year 2029/2030. The first in the series is MTF 2009-2012.

As a fundamental component of the national planning framework, MTF 2009-2012 outlines a prioritized package of policies, strategies and programmes aligned to the budget at the macro level that will be implemented primarily by Ministries, Departments and Agencies (MDAs) in a tree year period.

Targets in the National Development Plan are prioritized and contained in the Medium-Term Socio-Economic Policy Framework and were developed through stakeholder consultations. The criteria are those factors that have the greatest current impact on national well-being, pose the greatest constraints to medium-term development, and have the greatest long-term transformational potential. Targets have been set for 2012, 2015, and 2030 and will be updated every three years in the consecutive medium-term socio-economic policy frameworks through 2030. Targets in the National Development Plan are also linked to the Millennium Development Goals (MDGs), with thirteen of the eighteen MDG targets being reflected and poverty measurement tailored to Jamaica. Targets also link to cross cutting issues, both with separate programmes and mainstreamed in other programmes.

The National Development Plan has provided a clearly articulated vision for Jamaica and a framework for dialogue and negotiations with the international development partners (IDP) community.

(ii) Scope and frequency of debt sustainability analysis

Score A: Debt sustainability analysis for external and internal debt has been conducted regularly during the past three financial years through regular IMF reviews of the Standby Agreement and Article IV Consultations.

A debt sustainability analysis (DSA) has been conducted annually by IMF missions for financial years 2009/10, 2010/11 and 2011/12, as part of the review process for the SBA or the regular Article IV Consultation Reviews[17]. MOFP decided that members of the Fiscal Policy Unit and other key units within the ministry be provided with the necessary training to undertake this work taking advantage of the methodology and software already transferred by the IMF[18].

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

Score B: Medium-term strategy plans exist for the health and education sectors, which represent 43% of primary expenditure. Both sector strategies are linked to Vision 2030

17 The latest evidence reviewed refers to the DSA performed under the IMF Article IV Consultation Review dated May 15th, 2012.

18 On March 2012, a group of 14 staff from different MOFP, PIOJ and BOJ units was trained by CARTAC to adopt the DSA methodology, as part of the routine fiscal policy analysis work undertaken by the MOFP.

Jamaica goals and are fully cost in its school and hospital infrastructure and equipment and total staffing needs. With the adoption of MTEF in recent years the key sector strategy plans have generally come more in consonance with fiscal forecasts.

At the sectoral level, Vision 2030 Jamaica is designed so as to be implemented through the strategic frameworks and action plans for each sector as contained in the respective sector plans— Vision 2030 Jamaica includes a total of twenty seven (27) sector plans covering the main economic, social, environmental and governance sectors relevant to national development (Box 1).

The Medium-Term Socio Economic Development Plan (MTF 2009-2012) presents the priority National Outcomes for the country, and details the key strategies and actions for six of the fifteen National Outcomes under Vision 2030 Jamaica. These include the following Strategic Clusters: (1) Security and Safety; (2) A Stable Macroeconomic Situation; (3) Strong Economic Infrastructure; (4) Energy Security and Efficiency; (5) World-Class Education and Training; and (6) Effective Governance.

The 2009-2030 sector plans include long-term strategies and national goals and outcomes for Education, Health, National Security and Correctional Services, and Transport—all combined represent almost two thirds of total Government spending. Only the Education and Public Health Sector Plans are provided with multi-year costing of operating and capital expenses, the former supported by a National Education Strategic Plan 2011-2020[19] which provides projected figures for the period 2011/12 - 2019/20 and the latter provides costing of recurrent and capital expenditure for a period of five years. Both represent 43% of the total budget.

Budget totals had traditionally been viewed as an annual exercise and the result of continuous annual cuts in some items and increases in others, varying often considerably depending on the sector. Consequently, the fiscal forecasts and the resulting annual budgets had not been generally consistent with the medium term sector strategies and policy objectives in the most part. However, with the recent accession of MTEF and the adoption of more articulated corporate business plans, the issuing of fiscal forecasts and budget estimates in key functions and programmes is more in line with key sector strategies. Budget authorities and officials had pursued and somehow achieved a better alignment with expenditure policies as a result.

(iv) Linkages between investment budgets and forward expenditure estimates

Score C: In general, investment decisions are made now more in consonance with medium-term sector strategies, however, their recurrent cost implications are included in forward budget estimates for certain key programmes only. To improve this process, a Public Investment Prioritization System (PIPS) has been established in the past two years to ensure a better selection and prioritization of public investment projects according to technical, economic, social, environmental and other criteria. Technical

[19] Revised Draft based on feedback from the National Oversight Committee and Nationl Consultations on the Plan Education System Transformation Programme, July 31, 2011.

assistance is lacking for guiding MDAs and AGAs in (i) all stages of public investment planning and management, and (ii) linking the completion of projects to the programming of staff and other operating and maintenance expenses. Likewise, technical assistance to further improve the quality of the public investment programme (PIP) and to ensure that its totals convey with the ceiling envelope is also desirable.

Only with the recent issuing of the Fiscal Responsibility Framework public investments were prioritized in a PIP for a group of primary education and health programmes. MOFP PEX Division and PIOJ External Cooperation Unit took a systematic approach for assembling development needs into a prioritized PIP subject to the medium term ceiling envelope set forth by MFPU. Hence, there have been initial efforts in integrating budget decisions on capital and recurrent expenditures. Nonetheless, MOFP guidance for improving public investment at all stages of planning and management is still lacking for the most part—the assessors found no PIPS-based evidence of any major Supplementary Guide for Public Investment Planning and Management, which usually aims to provide clear directions to project managers and officials as to how to adequately screen, appraise, select, adjust and monitor investment projects as well as to register the fixed assets acquired or formed to a centralized fixed assets subsidiary ledger, among others. However, certain provision of technical assistance in applying the PIPS was included in the initial roll-out of the MTEF.

Progress made: The assessment in 2007 resulted in an overall score of C+ and improved to B in 2012. The improvement resides in dimension (iii), led by establishing of Vision 2030 and medium term strategic plans (MTF) in key functions of public administration and increasing buy-in and efforts in aligning development goals and objectives to expenditure programmes and activities. Corporate planning has become routine for most MDAs, more so considering Jamaica has elaborated one of the first pioneering strategic business and procurement planning in the region.

The challenge still lies in the need to align corporate plans and procurement plans to cash programming and head warrants and making them part of a commitment-based accounting system across Government. There have been minor improvements in budget monitoring and evaluation; however the MDA MTEFs are not yet firmly aligned to MTF, nor are development and recurrent expenditures integrated within sectoral resource ceilings as the process of establishing a credible MTEF process and aligning to corporate planning is still at a nascent stage. Major guidance from MOFP and PIOJ to the rest of GOJ in regards to the planning and managing of public investments and further instituting the cost-benefit analysis and other technical and economic analysis of projects leading to better investment decisions is still lacking.

Recent developments: Work has continued on realigning policies and programmes and putting in place a more effective performance reporting system (Guidelines for the Medium Term Plan and Budget Framework are currently being further improved).

PI-13 Transparency of Taxpayer Obligations and Liabilities

Overall score (Scoring method 2): B↗

The Revenue Administration in Jamaica has undergone a number of reforms since 1995, with support of different donors. This has led to significant progress in its structure and systems, and yet it has fallen short of providing an effective and efficient tax collection system, capable of targeting performance by taxes and efficiently addressing non-compliance in taxpayer registration and filing, and arrears (both collection and refunds). The legal and regulatory framework was adjusted, although it does not properly address the root causes for non-compliance. Treating taxation in isolation from the rest of the public finance management system, especially procurement and payment to the private sector, has been a major weakness.

The overall tax pressure stands at approximately 23.5% of GDP, a high figure by regional and MIC standards. An analysis done by USAID indicates important imbalances in the tax structures, inadequate tax bases and rates, non-transparent tax waivers and audit, and a high level of objections and appeals on tax assessments. According to the USAID LPFM study, benchmarking the organizational structure, major operations of TAJ and its supporting functions against leading practices suggests that TAJ meets or exceeds leading practices in 9 of 13 categories. The report states: "The four areas that do not meet international norms are: lack of reliability of the taxpayer current account; low voluntary compliance rates; lack of proper delegations of authority; and adequate budget for support and field operations".

In simpler terms, the above along with deficient sanctions and penalties for fraud and limited legal authority for use of third-party databases have all posed significant constraints on transforming TAJ and Customs into effective and efficient tax collection organisations. (More details on the legal and institutional framework are provided in Chapter 2).

(i) Clarity and comprehensiveness of tax liabilities

Score C↗: Legislation for all taxes does exist and provides all steps for calculating liabilities, although some aspects are subject to discretion. Objections are better guided for TAJ but not for Customs Department. Tax waivers bore a heavy weight on Jamaica's ability to raise revenue fairly and to address the tightening fiscal space. A partial ban on waivers is applied since January 2011; however the laws still provide total discretion to the MOFP. The process of waivers is complex and involves many steps and units, lowering transparency and accountability. It was not possible to obtain a unique, consistent set of figures for objections and appeals waivers granted.

The complete set of tax legislation is available on line for both Tax Administration Jamaica and the Customs. Their respective websites provide the information on tax obligations and calculation of liabilities, and administrative procedures. However, there are no summary documents and there is no updated and consolidated set of obligations. This work has been evoked but not yet addressed.

The USAID LPFM study, using World Bank's Doing Business "Paying Taxes" survey data, indicates that filing tax in Jamaica is a significantly more expensive and time consuming exercise than in the region and other MICs. This is confirmed by interviews with tax consultants and the private sector, although reforms of the tax administration have eased the processes significantly. The "Doing Business 2012" survey estimates these administrative burdens for Jamaica, countries of the LAC and CARICOM regions as well as the individual CARICOM countries: The average taxpayer must make 72 payments per year to the Government (compared with 32 payments for the LAC region and 37 for CARICOM); and must devote 414 hours to preparing and filing tax returns and paying taxes due – significantly above the CARICOM average standing at 210 (382 for Latin America and Caribbean). This is by no means a justification for non-compliance, but such data comes to question the clarity and accessibility of information for taxpayers' obligations and liabilities.

The obligations and the steps from tax registration to assessing tax liabilities calculations, declarations of entry with customs, objections to tax assessments, and then appeals, are detailed in procedure guidelines for citizens and companies. This information does not always include the penalties and interest. It is regularly updated.

The tax laws enable the Minister to waive off the tax principal, any penalties and interest for all taxes (income, GCT, transfer and property taxes, stamp and customs duties) 20 with total discretion. The Commissioner of TAJ is empowered to waive interest only while the Commissioner for Customs can waive penalties. Requirements for gazetting the decision are usually adhered to, but the Auditor General has reported omissions. The waivers are processed without guidelines through the Tax Relief Unit and approved by the Minister of Finance and Planning. The Revenue Protection Division prepares notices that are then published on the MOFP website. The Tax Appeal Commissioner cannot waive any taxes, penalties or interest, a change since the PEFA 2007. The current set up implies that the Revenue Protection Division is party to the tax administration, a conflict of interest with its audit and investigation mandate. The Commissioners report that although they can apply penalties from 50% to 300%, by default they only apply 50% (a discretionary power de facto reduced by a stricter application principle).

Authority/Type of Waivers	Principal	Interests / Penalties	Corrections
Ministry of Finance (Minister)	Yes	Yes	Yes
TAJ	No	Income Tax and Interest only	Yes
Customs (Commissioner)	N/A	Mitigation, to reduce penalties	Yes

Even though tax waivers (a form of tax expenditure) represent a significant share of revenue collection in Jamaica, it varies considerably according to MOFP sources (from 6.5% to 8% of GDP). The Auditor General has reported the Ministry of Finance and Planning failing to gazette the decisions systematically and found the Tax Appeal Commissioner granting waivers on unjustified basis and over and above the J$1million when it was still authorized to do so. It should be noted that since January 2011, no waivers

[20] The references to the Laws are: Income Tax Act, Section 86; General Consumption Tax Act, Section 47; Transfer Tax Act, Section 46; Customs Act, Section 11; Stamp Duty Act, Section 80B; Property Tax Act, Section 11; Education Tax Act, Section 10.

on principal should have been granted for any taxes, as part of an agreement with the Inter-American Development Bank. Exemptions to this agreement concern waivers on custom duties, and waivers on penalties and interests[21].

Table 23: Tax Waivers approved by Tax Administration Jamaica (excluding Customs)

(In Jamaican Dollars, unless otherwise indicated)

	FY 2009/10	FY 2010/11	FY 2011/12
Tax Revenue	***282,980,391,105***	***295,056,835,996***	***303,192,296,095***
Number of Waivers issued	85	100	14
Number of TRN covered	***167***	***828***	***62***
Tax principal Waived	1,003,541	4,301,280	0
Audit Waived	2,207,199	3,773,093	260,594
Charges Waived	127,271,845	1,171,891,266	166,099,956
Total Waived	***130,482,585***	***1,179,965,639***	***166,360,550***
Total Waived (% of Tax Revenue)	***0.05%***	***0.40%***	***0.05%***

Source: TAJ.

Table 24: Tax Waivers posted by Tax Administration Jamaica (excluding Customs)

(In Jamaican Dollars, unless otherwise indicated)

	FY 2009/10	FY 2010/11	FY 2011/12
Tax Revenue	282,980,391,105	295,056,835,996	303,192,296,095
Total Sum of Tax Waived	N/A	307,861,361	260,916
Total Sum of Audit Waived	N/A	22,848,917	260,594
Total Sum of Principal Waived	N/A	330,710,277	521,510
Total Sum of IPSO Waived	N/A	1,862,776,493	608,788,941
Total Waived	*N/A*	***2,193,486,770***	***609,310,451***
Total Waived (% Tax Revenue)	***N/A***	***0.74%***	***0.20%***
Total Sum of TRN Cases	***N/A***	***2,212***	***529***

Source: TAJ.

Noticeably, after reconciling of data it was found that the two above tables do not match. The difference arises as waivers are not necessarily posted in the same period as they are approved. Postings correspond to waivers executed, but approved in previous financial years. This reflects difficulties experienced by TAJ in developing and implementing a management information system that is reliable, exhaustive and capable of providing coherent reports given the complexities introduced by such mechanisms as discretionary tax waivers. It was reported that the TAJ's Audit Department, which was responsible for posting waivers prior to the TAJ reorganization in April 2011 had sought to clear a backlog in FY 2010/11 explaining the high volume, reported under that year for tax waivers posted.

21 This review has not verified the agreement and its application.

For FY11/12, the Tax Appeal Department also reported corrections made to 742 cases settled for a forgone value of J$ 877, 327, 771.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

Score A: Taxpayers' access to information is enshrined in the Public Access to Information Act and facilitated by Customs and Tax Administration Jamaica's websites, supplemented by pamphlets and education campaigns.

Taxpayers' access to information is enshrined in the Public Access to Information Act while both the Tax Administration Jamaica and the Customs Department websites and offices provide online and direct support. Downloadable guidelines, pamphlets and education campaigns contribute to clarity and accessibility. Taxpayers' education is conducted through a series of programmes, under the direction of the communication unit. First, all tax offices (29 Tax Administration Jamaica branches) are opened to the public for enquiries that are not leading to binding declaration. Second leaflets are also developed to present the different types of tax obligations and procedures to declare and to appeal. They range from applying for a Tax Registration Number (TRN) to detailed information on tax obligations for different groups of taxpayers. Third, an education campaign through workshops is conducted with organisations and professional associations. Finally, a school education programme seeks towards developing awareness and future compliance within the nation's youth community.

(iii) Existence and functioning of a tax appeals mechanism

Score C: The tax appeal comprises three administrative levels of complaint: objection, appeal, and Revenue Court. With the re-organisation of the tax administration in 2011, the Tax Appeal Department requires new regulations and an operating manual. It is now responding to the Financial Secretary and can no longer waive tax off and it only issues rulings. Effectiveness and independence issues are concerns that still need to be addressed. The customs appeals process is not yet based on clear rules.

The appeal process consists in three subsequent mechanisms: objection, tax appeal and Revenue Court.

An objection can be formed directly by a taxpayer to the taxpayer assessment and audit department within 30 days of receiving his or her assessment. This process is guided by rules established by TAJ that provide for separation of duties and supervision, and require supporting documentation, although TAJ reports need to enhance handling of the cases and access to Third Party information. If objection is not satisfactory for the taxpayer, he/she can appeal. Taxpayers may not provide information during audit and assessment thus reducing the ability of the assessor to establish an assessment. Appeal can be made on frivolous basis, with no requirement for evidence to support cases. Customs apply Standard Operating Procedures for appeals where matters mostly involve valuation and classification, both subject to interpretation. The procedure, a very short note in the Standard Operating Procedures, speaks to the broad administrative process, but does not provide technical and detailed guidance. However, the Customs Officer does not approve refunds; only the Commissioner, the Collector of Customs and the Director Customs House can approve refunds as part of the objection process at assessment stage. High objection rates are a cause of concern and reflect issues with both assessment and audit for TAJ.

Table 25: Number of Objections and Settlements for Tax Administration Jamaica

	FY 2009/10	FY 2010/11	FY 2011/12
Opening Inventory April 1st	2,062	2,242	3,165
Total Received	***1,515***	***3,363***	***1,810***
Total Stock	3,577	5,605	4,975
Total Settled	1,335	2,440	2,331
Closing Inventory March 31st	***2,242***	***3,165***	***2,644***

Source: TAJ.

Table 26: Objection and settlement for Customs

(In '000 J$, unless otherwise indicated)

Steps in objection/appeal	FY 2010/2011	FY 2011/2012
Customs Revenue		
Outturns	96,675	98,787
Objection		
No. of Objections	33	14
Value	302	147
Resolved: Nil/Discharged	6	2
Value	71	39
Resolved: Stand	3	1
Value	23	4
Resolved: Settled	8	1
Value	32	3
Total Value	***428***	***193***
% Objection Value/Customs Revenue	**0.4%**	**0.2%**
Appeal Process		
No. of Appeals	5	2
Total Value	118	32
Decision	NIL	NIL
Under Review	11	6
Value	70	45
Total Value	***188***	***77***
% Appeal Value/Customs Revenue	**0.19%**	**0.07%**

Source: Customs Department.

As illustrated above, Customs' objection rate is low compared to the level of imports. Objection rate reported by Customs concerns only official objections received. It is not possible to determine the ratio of objection value to tax revenue, as TAJ cannot provide value data prior to 2011.

The Appeal function, under the Revenue Administration (Amendment) Act of 2011, was given independent status from the tax administration (now under the Financial Secretary) to give taxpayers more confidence that the agency is truly independent. The Tax Appeal Department (TAD) no longer holds a delegation of authority to waive tax, penalties or interest. It can only give a ruling as tax assessment upheld, vacated or reduced (referred to as corrections). This ruling is binding and will be applied as such by the relevant Tax Commissioner. The taxpayer may, however, take the case to the Revenue Court. There is no review panel although the Revenue Protection Division (RPD) may audit all revenue proceedings. The Tax Relief Unit processes the appeal recommended waivers while the Revenue Protection Division issues the commitments for tax expenditures. This poses an inherent conflict of interest, as the Revenue Protection Division is also the controlling body.

Table 27: Appeals Processed and Values for TAJ, for FY2009/10 to FY 2011/12

Appeal Inventory	**2009/10**	**2010/11**	**2011/12**
Opening Inventory	126	175	273
No. of Appeals Received	173	174	188
Total Cases to be Handled	***299***	***349***	***461***
No. of Appeals Withdrawn/Created in Error	13	7	5
No. of Appeal Decisions Issued	111	69	102
Total Cases Disposed of	124	76	107
Closing Inventory	175	273	354
Value of Decisions Issued (J$)	***254,390,477***	***60,922,541***	***177,698,494***
Value of Closing Inventory (J$)			***3,697,524,783***
Average Rate of Intake of Appeals per month	14	15	16
Appeals to the Court:			
Opening Inventory	1	9	13
No. of Appeals to Court	15	4	4
Total Cases to be Handled by Court	16	13	17
No. of Court Appeals Settled	7	0	3
Closing Inventory	9	13	14
Appeals Settlement Rate (No. accepted by taxpayers/No. of decisions issued)	88%	94%	96%
Value of Appeals to Court (J$)	***152,974,273***	***32,924,188***	***62,645,783***
% of Liability for Decisions Issued Relating to Court Matters	**60%**	**54%**	**35%**
Court Settlement Rate (No. of judgments in favour of TAD/No. of judgments issued)	100%	N/A	100%

Source: TAD.

As of March 2012, a stock of 354 cases were reported (including customs cases which concern General and Special Consumption Taxes[22]), with an average age of 16 months. Completed cases average 20 per quarter. The appeal mechanism does not meet its effectiveness standard (6 months for settling of appeal)[23] and is not fully independent from the MOFP in absence of a clear regulatory framework and operational manual.

Progress made and change explanation: No changes on clarity and accessibility have been evidenced supporting a lowering in the score. Discretion in granting waivers remains an issue, despite of the partial ban. Since 2011, a reform process of the waiver administration has started. The process has been reengineered in 2012 and supporting software has been procured in 2012 and is previewed to be implemented by 2013. The Tax Appeal requires a change to the regulations to give it a clear institutional set-up, clarify its independence and establish its operating manual.

PI-14-Effectiveness of Measures for Taxpayer Registration and Tax assessment

Overall score (Scoring method 2): C

(i) Controls in the taxpayer registration system

Score B: Taxpayers are registered using a unique Tax Registration Number (TRN) that is maintained in a database by the TRN Office. The TRN is routinely used for a number of administrative proceedings such as driving license, car registration, and has been a requirement by some commercial banks. However, TRN may be generated for administrative purposes without leading to compulsory filing. There are insufficient links to other databases than that of TAJ and Customs and no legal framework to enforce registration.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

Score D: Penalties for non-filing of returns are non-existent for income tax, but exist for other tax types. Interest charges are considered inapplicable with waivers being granted frequently. The accumulation of interests is a problem for the information system. Interests and penalties do not act as a deterrent. The objection rate to assessment is high and allows for direct settlement with the Tax Administration and the

22 It has not been possible to reconcile Tax Administration Jamaica and Tax Appeal Department datasets. It was reported that current information systems still suffer from weaknesses and failures that need to be fixed in terms of reliability of data and exhaustiveness. With the change to TAJ, new data collection modes were initiated from 2011/2012.

23 TAD efficiency should increase as they do no longer hold the authority to waive tax and process waivers thus freeing time.

Customs. There is no mechanism by way of which TAJ or Customs can directly collect amounts due.

A Tax Registration Number (TRN) has been introduced in the 2000's as a means to uniquely identify each potential taxpayer. The TRN Registration Office is the only office allowed to deliver a TRN and does so according to a specific documented procedure that ties it to a person or an entity, including public sector entities. A Tax Registration Number is usually required for a number of administrative proceedings such as motor vehicle registration, driving license, national health insurance number etc... Commercial banks are reported to require TRN as well, although this is not a legal requirement.

Table 28 provides a comparison of registered TRN holders with actual taxpayers identified in FY 2012/13.

Table 28: TRN issued and recorded, compared to Total Taxpayers, FY 2012/13

Categories	TRNs (on record)	Taxpayers	Ratio
Individuals (Non-Sole Proprietors, PAYE)	2,066,708	*N/A*	*N/A*
Sole Proprietors	177,395	116,301	66%
Businesses (Not including Sole Proprietorships)	59,949	34,556	58%
Total (excluding individuals)	***237,344***	***150,857***	***64%***

Source: TAJ.

There is a significant difference between the two sets. It is not possible to assess if this is due to inactivity of the registered businesses or sole proprietorships. There is no mechanism that obliges each active business to hold a TRN, while for each TRN holder penalty for not filing is not a deterrent. Penalties for not filing GCT stand at 15% of the outstanding amount and another 15% for not paying. Effectiveness is lowered by granting waivers. The Revenue Court recourse imply a lengthy and inefficient process, with fines issued as low as J$1,000. For other taxes, based on self-assessment, no penalties for not filing tax returns exist although penalties and interests can be applied for late payment and false declaration. As reported in 2007, interests used to be charged for late payments at 40%, and although this has been reduced at 20%, it is still considered inapplicable: interests and penalties can be waived by the tax administration as part of the objection process, and are usually waived as part of appeal processes. Within the current legal and regulatory framework, and enforcement capacity, this is considered the best way to ensure compliance to filing and paying the principal. Betting on obtaining a waiver on penalties and interests still appears to be the better use of cash flow for any business.

The Tax Administration Jamaica does not operate within a legal and regulatory framework that gives it the right and the obligation to obtain filing from all TRN holders, ensure all commercial activities are TRN compliant, and to ensure that non-filing and/or non-payment can lead to bank account embargoes. It also does not have access to banking information on unexplained sources of deposit. In short, the legal and regulatory framework is not a deterrent to non-compliance. When considering the Pay-As-You-Earn (PAYE) mechanism for income tax, penalties applicable by law vary from 50% to 300%. Without detailed guidance, by practice, 50% is retained, as the applicable penalty and variance to that require specific justification. This allows a more transparent process with less discretion, and as applied, work as a deterrent to non-compliance. The table above reveals that PAYE represents a significant base and contributes to a significant share of tax collection (about 35 to 40%).

With regards to Customs Department, a 5% upfront payment of the General Consumption Tax (GCT) was introduced in 2011. The idea was that the importer would make an advance payment and then claim the payment as a credit when filing their GCT return. It was felt that even if the taxpayer failed to file a return (and make payment) the Government would not be at a significant loss due to this "upfront" payment. It is not clear if this has materialized.

With about half of the businesses registered taxpayers and a third of sole proprietorships not being active taxpayers, it is necessary to question the effectiveness of taxpayers' registration and filing controls. Indeed, while GOJ and its donor partners represent a major source of business for all the island's businesses and registration with the National Contract Commission (NCC) is a condition for contracting with Government, assessors found a very low NCC registration figure.

Table 29: Comparison of Records on Tax Registration Number Holders, Active Taxpayers and Registered Contracts with NCC (for businesses only)

Categories	Figures
Businesses recorded (TRN)	59,949
Businesses paying Tax	34,556
Ratio Taxpayers/TRN holders	***58%***
Businesses registered with NCC	1829
Ratio NCC registered / Taxpayers	***5%***
Ratio NCC registered / TRN holders	3%

Sources: TAJ, OCG.

Registration with NCC is not compulsory for independent consultants, who have to be registered with their professional association, and may be captured as sole proprietorship in these figures[24]. Only considering businesses, only 3% of all TRN holders or 5% of taxpayers are registered with NCC. This provides little incentive to comply with the legislation to operate and transact with Government. Indeed, the current procurement legislation imposes that a business, to be a registered contractor, has to provide, inter alia, a tax compliance certificate. However, subcontractors are not subject to this requirement, although when paid directly by Government they have to provide a TCC: this means avoiding publication of contracts, avoiding the tax compliance certificate procedures. Such loopholes in the legislation are direct disincentives for businesses to comply with their tax liabilities.

24 It has not been possible to assess the compliance for service contracts.

It is notable that currently, and as in 2007, the Tax Administration Jamaica has at its disposal only a reduced set of databases such as TRN, customs databases, motor vehicle registration, driving license and National Health Insurance. It does not have direct links to the Office of the Contractor General and the National Contract Commission databases to serve as data mining and control[25]. The same is true for professional associations and banking data. Although a Data Mining Unit has been created in the new organizational set-up of the TAJ, it has limited means.

Table 30 reveals the wide variation in penalties recommended by audit and approved value by the Commissioner. Penalties for breaches are clearly defined in the Customs Act and are significant in nature based on the offence committed. The current penalty system is not effective given that significant waivers are granted as demonstrated in Table 30.

Table 30: Audit results for Customs (In J$)[26]

Year	Additional CIF Value to declare	Initial deposit paid towards breach	Recommended penalty	Approved penalty
2011	92,577,659	1,200,000	52,502,872	$4,022,466
2012	245,869,405	1,800,000	27,152,340	1,600,000

Source: Customs Department.

Refunds paid out to the importers, due to objections on valuations and classification are not significant. Largest shares are import duties, general consumption tax and custom user fees (Table 31). Actual refunds are low, below 1%.

Table 31: Tax Refunds paid by Customs to Importers

(In millions of J$, unless otherwise indicated)

	FY 2009/10	FY 2010/11	FY 2011/12
Tax Revenue outturns	262,787	274,493	286,196
Customs -Tax Revenue	76,715	96,675	98,787
Refunds	314	182	497
% Refunds/Tax Revenue	***0.12%***	***0.07%***	***0.17%***
Tax Refunds (% of Customs -Tax Revenue)	***0. 41%***	***0.19%***	***0.50%***

Source: Customs Department.

(iii) Planning and monitoring of tax audit and fraud investigation programmes

Score C➚: Planning of tax audit is risk based for both TAJ and Customs Department. For TAJ, risk assessment relies upon a Data Mining Unit with limited means to corroborate information through different datasets. Nonetheless, targets are defined; plans are developed, implemented and reported upon. For Customs Department, although plans are prepared and implemented, the basis for audit planning is not

25 TAJ has access as the data is public but this requires re-inputting data.

26 Table 30 was modified as part of the comment process to include revised data. The data generated by Customs throughout the PEFA review has been inconsistent with several datasets presented. Given the challenges of the Information Management Unit of Customs to generate data, the data used for the assessment of PI-13, 14 and 15 cannot be ascertained.

adequate while the information management leaves significant risks inadequately addressed. A new Risk Management System is planned.

In TAJ, tax assessment and audits are planned on the basis of potential risks which are analysed by the Data Mining Unit. In practice, risk is simply tied to categories of taxes and taxpayers. Annually, audit sample targets approximately 1,500 to 1,700 cases, with a completion rate of 80%.

Customs run both pre- and post-audits. Pre-audit is limited since the introduction of container scanning. All fully loaded containers are scanned. There are no specific target rates for physical inspection (Table 32) and each container should be examined at least in a proportion of 25%. There is however a random selection of containers to be physically inspected every day. The drop evidenced by the table is due to the "Authorised Economic Importers" programme that implies that containers of approved importers are only inspected on risk assessment basis (as part of the WTO requirements).

Table 32: Customs inspections of fully loaded containers[27]

	FY 2009/10	FY 2010/11	FY 2011/12
Domestic Container Landed (Kingston)	80599	97,532	95,344
Containers examined	36949	11,941	12,200
Rate of inspection	***46%***	***12%***	***13%***

Source: Customs Department.

The risk management system focuses on issues relating particularly to valuation and misclassification. Further assessment of the values is then triggered for documentary review. This may allow additional value to be declared. 3000 declarations were submitted to valuation unit in 2012 (about 2% of total declarations) and 8% to 12 % of the total being re-adjusted, and 100 physical examination referrals. A new risk management is required to be more targeted and alleviate problems as reported by Customs. An Internal Audit report and interviews with Customs indicated that:

- Unpaid duties are not reconciled with cleared manifest and stocks held in bonded house on a regular basis. Assessors note that, although this reveals a systemic issue it was not material at the time of audit;

- Declarations submitted more than once with differing CIF value;

- Importers not clearing goods (not paying duty) being allowed to import and clear other goods[28];

- Difficulties to obtain quality information from the Information Management Unit.

27 This table uses revised data (third version) provided by Customs Department. The data generated by Customs throughout the PEFA review has been inconsistent with previous datasets presented. Given the challenges of the Information Management Unit of Customs to generate data, the data used for the assessment of PI-13, 14 and 15 cannot be ascertained.

28 Assessors noted that within the current legal and regulatory Framework, it would be illegal for Customs to bar the importer.

Such risk prone areas are not yet adequately addressed.

Post-audit is risk based. The focus is on contraband enforcement and specific risk areas where different tax bands are applied; as for alcohol that is imported by the hotel industry. Post-audit can be carried out within 2 years from the date of import regarding goods valuation and within 3 years from the date of import regarding classification. In practice, such audits have to rely on business accounting data that may not be adequate support.

Table 33: Sample of Declarations physically examined to Declarations[29]

	FY 2009/10	FY 2010/11	FY 2011/12
Declaration Processed	125,817	128,018	132,078
Physical Examination	112,154	92,732	91,137
Rate of inspection	***89%***	***72%***	***69%***

Source: Customs Department.

Progress made and change explanation: The dimension (iii) has been degraded as better evidence was gathered. There is no change to the scoring of the taxpayers' registration as no change has happened since 2007 to the Jamaican set up. No changes to the legal and regulatory framework have come to reinforce compliance for tax registration, filing and paying. In TAJ, the risk model is being reviewed to apply improved standards. This ongoing work will yield benefit over time. The Customs Risk Management System has been evaluated by international consultants (IDB, Semcar and CATT) and recommendations were made regarding the way forward. The Department is also in the process of procuring consultancy services to conduct business process reviews and funds have been earmarked to procure a new Risk Management System.

PI-15-Effectiveness in Collection of Tax Payments

Overall score (Scoring method 1): D+➚

(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years

Score D: The debt collection ratio is well below 60% for both years, for both Tax Administration Jamaica and Customs Department. The current stock of tax arrears is significant, even when taking into consideration only recent arrears or tax principal.

29 This table uses revised data provided by Customs for the third time. The data generated by Customs throughout the PEFA review has been inconsistent with several datasets presented. Given the challenges of the Information Management Unit of Customs to generate data, the data used for the assessment of PI-13, 14 and 15 cannot be ascertained.

Jamaica's tax system mobilizes a substantial 23.5% of GDP. This compares well with the regional standards. The USAID study raises concerns with regards to the high rate of the Personal Income Tax, Company Income Tax and General Consumption Tax and their low productivity. The study appears to corroborate the low compliance and difficulties for TAJ and Customs Department to enforce it. This context, compounded by the lure of waivers, may have contributed to generating tax arrears. As of 2007, the PEFA reported that ICTAS, the system designed specifically for the Jamaica Tax Authority, was not yet fully functional, an issue solved though with persistent problem in 2012. This may have affected the proper monitoring and reporting on tax arrears in a timely manner. However it appears that the legal framework is not conducive to reduce tax arrears. Even after a general amnesty in 2008 through waiving of principal, penalties and interests, tax arrears compounded by interests are already standing at more than 100% of Tax Revenue Collection for the last two years. Only 2% of the total arrears are reported as less than six months old.

In Table 34, stock and collection of arrears for both Tax Administration Jamaica and Customs Department are added up, and compared to the total tax revenue. In the last two years, arrears collection rate stood at around 5% while total stocks stood well above annual tax revenue collection. However, a significant share is non-collectable arrears, which biases these data. In addition, only 18% of TAJ arrears stocks are composed by tax principal, audit and assessment. The remainder is a composite of penalties and interest, which in the current legal framework accumulates automatically. This raises the stock figure rapidly, providing a biased view.

Table 34: Summary of Stock and Collection of Arrears for TAJ and Customs

(in J$, unless otherwise indicated)

	FY 2010/11	**FY 2011/12**
Tax Revenue Outturns	***274,492,969,261***	***286,196,042,278***
Total Arrears TAJ	347,092,532,028	413,722,790,695
Total Arrears Customs	549,400,000	764,100,000
Total Arrears	***347,641,932,028***	***414,486,890,695***
Total Collection TAJ	15,535,018,847	16,977,736,499
Total Collection Customs	121,000,000	154,020,000
Total Collections	***15,656,018,847***	***17,131,756,499***
% of annual collections	**5%**	**4%**
% of Arrears Stock / Total Tax Revenue Outturns	**127%**	**145%**

Sources: TAJ and Customs Department.

Even with a conservative position whereby only the 8% of arrears corresponding to tax principal is used for assessing, the overall stock would put it at more than 10% of the total revenue collection. Taking only the 4% corresponding to the age category of up to one year will put the stock at 5%. Both figures are well above the 2% benchmark established in the PEFA framework to consider tax arrears insignificant.

Table 35: Arrears age profile

(in J$, unless otherwise indicated)[30]

Age Category	**Total Sum of System Balance**	**Total Age Balance (% of total)**	**Total Return Tax (% of balance)**
Less than 6 months	6,711,841,010	2.50%	13.07%
6 to 12 months	5,503,461,091	2.05%	6.27%
1 to 2 Years	11,032,824,571	4.10%	8.24%
2 to 3 Years	12,770,801,266	4.75%	8.03%
3 to 4 Years	21,255,153,422	7.91%	9.18%
4 to 5 Years	25,048,338,723	9.32%	10.94%
5 to 6 Years	17,831,171,819	6.63%	4.04%
More than 6 Years	**168,632,444,700**	**62.74%**	**40.23%**
Grand Total	**268,786,036,601**	**100.00%**	**100.00%**

Source: Tax Administration Jamaica.

With no statute of limitations for collection and no authority to write-off tax arrears from a given age profile, Tax Administration Jamaica carries a large sum of arrears, even after a general amnesty in 2008. Of that stock, only less than 2% are less than one year, while 92% are older than three years. These arrears cannot be legally reported as uncollectible and removed from active inventories of tax arrears. Without a significant change to the legal and regulatory framework and a significant enforcement authority, a write-off policy is not possible, as it would be considered as providing a legalization of tax delinquency.

Table 36: Customs Tax Arrears, Stocks and Collections

(In millions of J$, unless otherwise indicated)

	FY 2010/11	**FY 2011/12**
Customs revenue outturn	96,675	98,787
Stock	549.4	764.1
New Arrears	335,7	204.2
Arrears collected	121.0	154.0
Stock (% of revenues)	0.6%	0.8%
Arrears collected (% of stock)	22.0%	20.2%

Source: Customs Department.

In last two years, arrears stock for Customs represented less than 1% and collection was at around 20% when compared to total customs revenues.

30 Data provided is not consistent.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

Score B↗: All taxes are paid into the revenue accounts managed by TAJ and Customs Department and they transfer daily all collections to the Consolidated Fund and other funds as required by law, minus refunds. The two agencies operate treasury functions out of their accounts, hindering the Accountant General Department control of revenues and cash management. As such all revenues collected are not transferred in entire amounts to the Consolidated Fund due to Tax Refunds Arrears paid without clear payment guidelines and on the basis of a specific schedule.

The Tax Administration Jamaica is charged with revenue collection for all taxes including that accruing to the parishes and for remitting revenues to the Consolidated Fund, the Parochial Revenue Fund, the National Health Trust, the National Insurance Scheme and HEART. Remittance is managed on the basis of collection according to taxes accruing to each fund.

All taxes collected into the TAJ and Customs revenue accounts are remitted on a daily basis to the Consolidated Fund, minus refunds and refunds arrears payments, and a daily collection report is issued.

Tax Administration Jamaica and the Customs Department both hold principal Accounting Officer functions, issuing commitments, while also acting directly on behalf of the Accountant General to effect treasury operations. The law provides for the tax refund mechanism. However, it experiences difficulties that do not allow all refunds to be made during the year of receipt. Tax Refunds Arrears accumulate and have to be paid in later years. As such it constitutes a financing item. Further in absence of refund policy, except a cap given by the MOFP, it is hard to understand how refunds are managed: payment priority, spreading of refunds throughout the year, impact on revenue remitted to the Consolidated Fund. This has cash flow and debt management implications. Treatment of refunds by the Tax Administration Jamaica and the Customs Department lead to only net amounts being reported in financial statements, whereas gross amount for revenue flows would allow a complete reconciliation between taxes declared (including refunds and refunds arrears payments), taxes collected and actual transfers to the different funds.

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Score D: Monthly reports on tax collections are provided by both TAJ and Customs Department to Accountant General's Department (AGD) and the Ministry of Finance and Planning. TAJ reconciles tax assessment and collection on weekly basis though it does not seem to allow reducing arrears. Customs does not prepare reconciliation between tax assessment, collection and receipts by AGD. Detailed reports including this information are not issued to the AGD.

Reconciliation between taxes payable and revenue collection is done on a weekly basis by tax type for TAJ. A monthly report is issued to the Accountant General Department (AGD) by tax types with amounts payable, amounts collected and amounts remitted to the Fund. The frequency of reconciliation between tax assessment and collection, and remittance to the AGD, is indeed weekly for TAJ.

For Customs Department, a partial reconciliation is done monthly, although the use of the report generated is not clear. Indeed Customs appears to kick in a spot exercise when unpaid duties overpass a certain level (no target) as explained by Customs during the interview. A specific spot exercise was carried out in 2011, although it aimed more at obtaining information on unpaid duties' status than fully reconciling unpaid duties with cleared goods, stocks on site. Customs Department did not provide evidence of reports for reconciliation between tax assessment, collection and receipts by AGD. Detailed reports including this information are not issued to the AGD.

Progress made and change explanation: The effectiveness of transfers receives a lower score because evidence has been provided that the AGD (Treasury) does not have full control of all revenue collection on a daily basis, but has to rely on monthly reports to assess the impact of treasury operations done by TAJ and Customs Department. However, with the introduction of the CTMS, the management of such refunds will be brought under the control of the AGD.

PI-16 Predictability in the Availability of Funds for Commitment Expenditures

Overall score (Scoring Method 1) D+↗

(i) Extent to which cash flows are forecast and monitored

Score B: A cash flow forecast is prepared for the financial year and updated and reported weekly and monthly on the basis of actual cash inflows and outflows. Nonetheless, the formulation of cash flow forecasts supporting the issuing of monthly warrants reveals serious deficiencies as the result does not reflect that the latter do not necessarily adhere to the procurement plans and other corporate plans. Cash flow forecasting and monitoring are the joint responsibility of FPMU, PEX Cash Management Unit, AGD, and DMU. High level cash flow monitoring assessment and decision making take place through a Fiscal Policy Committee chaired by the Financial Secretary.

After the approval of the Appropriation Bill, the current practice requires that cash flow projections and plans are prepared by MOFP Fiscal Policy Management Unit at Economic Management Division (EMD) for the next fiscal year, with a monthly breakdown. The monthly revenue breakdown is derived from monthly historical baseline trends, taking into account any anomalies in revenue flows. This information is provided to the revenue departments and shared with the Public Expenditure Division (PEX) Cash Management

Unit. MDAs are required to submit a monthly breakout of their appropriated expenditure to PEX Cash Management Unit, but do not always meet this requirement or their cash flow forecasts are not credible. To correct this anomaly the MDAs and PEX Cash Management Unit discuss to arrive at monthly ceilings on the cash requirements. The PEX Cash Management Unit ends up providing the monthly expenditure outflow requirements to the FPMU, which then combines them with the monthly revenue forecasts to determine the monthly fiscal and primary balance targets and the financing requirements. The FPMU provides the DMU with the monthly financing requirements to allow for orderly planning and execution of the debt raising/financing strategy.

The cash management system is still at a nascent stage nowadays awaiting for the implementation CTMS to take further steps. One major problem is related to the monthly cash outflow projections (particularly, those related to non-salary spending flows) and the issuing of monthly warrants not necessarily adhering to the procurement plans and other business plans agreed at the beginning of the budget year. The integration of the cash flow forecasts with the relevant module of the FINMAN has not been adequately pursued to enhance the coherence of the systems. Currently, cash management and procurement plans are outside the FINMAN. This lack of integration results in a major disconnect between budget execution through the FINMAN and procurement and cash management plans. Cash management plans are particularly weak where the normal practice is to divide the overall allocation by twelve to arrive at the monthly estimation. These factors affect the resource allocation process within spending agencies. Since monthly releases tend not to follow a cash flow plan, a time consuming resource allocation process takes place each month within the spending units, causing delays in the deployment of resources.

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

Score C: MDAs are provided with reliable information for their revised spending ceiling commitments but only for one month at a time, provided a monthly warrant is issued by the Financial Secretary on the basis of available cash resources projected through a cash flow forecast. This is reported to MDAs with a short notice (30 days) thus leading MDAs to make commitments and adjust their operating plans in less than one month.

The existing cash management system remains weak in maintaining overall macro-fiscal balance and controlling total Government expenditure, and the lack of more suited conditions for adopting expenditure commitments creates uncertainty for the MDAs. The MOFP is aware that the monthly cash release system has undesirable consequences in terms of predictability of funding for the MDAs and reduces their effectiveness and the efficiency of service delivery. Without these monthly ceilings and their associated fund releases, the FINMAN does not allow commitment of funds. Consequently, processing bulk purchases for MDAs is difficult, although according to MOFP staff the cash management function takes into account the urgent needs for bulk purchases in each month. A strong and predictable quarterly fund allocation for commitments, including monthly limitations for actual payments, may render the cash flow projections a more helpful tool for both maintaining macro-fiscal balance and improving predictability for commitment of funds by the MDAs.

The instructions guiding the implementation of the FAA Act recognize that the monthly cash flows form the basis for the issue of the monthly expenditure warrants by the Minister of Finance, and prescribe that Accounting Officers submit their cash flow projections to the Ministry of Finance sufficiently in advance, but not later than 15 days before the commencement of the month to which the cash flow projection pertains. In case MDAs fail to furnish these projections, the MOFP takes over the responsibility of producing inflow and outflow projections of cash. The projections are only produced for the forthcoming month; thereafter, the next month's vote warrants are issued and communicated to MDAs with an advance notice of about thirty days.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Score D➚: Significant in-year budget adjustments are frequent and undertaken with little transparency. Cash resources are not released by the AGD in the amounts warranted to MDAs, but ultimately on the basis of cash resources actually available. As a result, budget resources are not fully paid thereby causing the build-up of unpaid commitments and further delays in MDAs' action plans. On the other hand, for those MDAs whose budgetary resources are fully paid over the year, supplementary needs often arise thus requiring cutbacks and seriously hampering operations of other priority programmes and projects. These adjustments are the result of continued virements and retroactive regularization widely accepted within Parliament thus continuing to undermine the authority and legitimacy of annual appropriations and corporate planning.

Significant budget adjustments taking place throughout the year force the MDAs to reallocate funds within their approved budget. The adjustments are consolidated and communicated to the Parliament at intervals (unusually, in FY 2011/12 a total of three supplementary budgets were authorized by Parliament). Adjustments within the budget of a MDA do not require approval by Parliament. If the budget of a MDA is to be increased, a supplementary budget submission to the legislature is required. The FAA Act and financial regulations stipulating the virement process and the authority for approval of virement are very useful. However, with plenty of evidence proving the existence of frequent budget reallocations and significant budget amendments of recent years, and after interviewing senior financial officers of the three largest ministries, the mission contends that authorized virements and ex-post regularization have not necessarily been made in such a transparent manner as intended by the FAA Act. The mission found no evidence on any virement rules governing this process. These expenditure adjustments are approved by the Parliament en bloc retroactively, towards the end of the current year, a practice which is not conform to best international standards—continued use of this practice remains a clear indication of poor budgetary planning in MDAs.

A contingency provision is also made for payroll adjustments and annual pay increases, as well as for other needs that may arise in the course of the budget year, and these are fairly transparent. Reallocations within the budget of a MDA are made routinely, as under the current virement policy the Accounting Officers now have the authority to vire the funds without reference to the MOFP or Parliament.

In accordance with Part VII Section 35 of the Financial Management Regulations of 2011 (FMR), the virement of funds released by warrant shall not be authorized by the Accounting Officer without the specific written approval of the Financial Secretary. Furthermore, the exigencies of the public service or other important causes make it necessary on a regular basis for Accounting Officers to seek virement in the funds appropriated for the various programmes and activities/projects in the approved budget. At the activity project level, Accounting Officers may vire funds within the level of the budget(s) allocated. When an Accounting Officer deems it necessary to seek additional funds due to:

- A change in the activities of a programme;
- Intensification of project activities in order to achieve some desirable output/outcome;
- Special circumstances,

the Accounting Officer in collaboration with the relevant portfolio minister will have to make decisions as to better prioritize and rationalize programmes and/or projects in line with policy objectives and government priorities...

Progress made and recent developments: The 2007 assessment gave an overall rating of D+. In 2012 the score given is a D+ with an arrow due to certain relevant changes in the FAA and the FMR. In spite of the MOFP being able now to issue and update cash flow projections, certain weaknesses prevail particularly in the forecasting of cash outflows underpinning the issuing of monthly warrants and in-year adjustments to budget allocations. The issuing of monthly warrants without regard to the corporate plans continues to have serious implications towards the achievement of key milestones and actions set forth in the medium term sector strategies. Thus, cash management and programming remain weak and undermine the predictability of MDAs funding in a serious manner.

PI-17 Recording and Management of Cash Balances, Debt and Guarantees

Overall score (Scoring Method 2) C

(i) Quality of debt data recording and reporting

Score D: Data on publicly guaranteed Government debt are in general considered of fairly high standard, with comprehensive management and statistical reports (cover debt service, stock and operations) produced quarterly and annually. Foreign debt records representing half the total debt are complete, updated on a monthly basis and reconciled on a semi-annual basis. Domestic public debt is also updated and reconciled on a monthly basis. Other non-guaranteed public debts and yet owed by Jamaicans, nonetheless, remain relatively large, either not adequately registered through a centralized database or not reported by appropriate means at all.

Debt is recorded and managed by the Economic Management Division's Debt Management Unit using the CS-DRMS (a debt management system developed by the Commonwealth Secretariat), which provides information on servicing and repayment of the principal for foreign debt and a portion of domestic debt. Information on domestic debt is complemented by the Bank of Jamaica (BOJ), as it manages Government treasury bills. One weakness is that debt data in MOFP and BOJ databases are not being consolidated adequately in CS-DRMS.

The debt database is reconciled monthly, using the system's 'reports and creditors' records. Monthly debt profiles (external and domestic), a quarterly newsletter, an annual debt report and annual statements of public debt are prepared by the DMU. MOFP publishes through website a Monthly Public Debt Report on external and domestic debt stock, debt service and operations.

The debt database is updated monthly, including data received from the BOJ. Certain discrepancies nonetheless exist, emanating from a combination of debts not adequately classified and recorded, equivalent to about 12% of GDP, according to IMF sources, not captured by CS-DRMS database and not recognized according to the FAA Act, namely, those not officially guaranteed domestic debts or others such as the debt accrued by PetroCaribe. The practice of Letter of Comforts was stopped prior to 2007 and all financial institutions lending to Jamaican public sector entities were reminded of the law thus requiring approval of any loan or guarantee to such an entity by the Minister of Finance. The MOFP argues that this debt is not guaranteed by the MOFP and, as such, is not part of the Public Sector Debt. However, practice has been to bail out public bodies when necessary. Given the critical nature of PetroCaribe, it is reasonable to presume so and thus take this debt as an implicit contingent liability, rather than explicit as would be the case had it been guaranteed.

(ii) Extent of consolidation of the Government's cash balances

Score C: Calculation of cash and bank balances takes place monthly by the MDAs, and yet, the system used does not have the capability to allow consolidation of bank balances in an automated manner, but implies significant manual work, thereby causing the control of some extra-budgetary funds to potentially remain outside the arrangement. The balances of several Government bank accounts in commercial banks are not yet consolidated, although there is a plan to do so as part of the milestones set forth under the CTMS Project.

Apart from the Government main bank account held at the Bank of Jamaica (BOJ), a number of Government bank accounts are held in commercial banks under different arrangements. This reduces the liquidity position of the Government while cash is available in a number of bank accounts not accessible to the MOFP for its monthly cash allocations to the MDAs and SN entities. Due to different legal and/or managerial arrangements, no major attempt was made following the PEFA 2007 until recently to consolidate the balances of these accounts in the BOJ, thereby allowing accumulation of idle cash in different Government bank accounts. This can enable commercial banks to purchase Treasury bills resulting in Government paying interest on its own cash. A joint BOJ–

MOFP committee in 2011 identified about 4,000 commercial bank accounts holding central government cash. Some of these hold donor funds, which are also public funds. No information is available to the assessment team on the balances on these accounts.

The Minister of Finance in his 2012/13 budget speech announced that in order to improve the cash position of the MOFP the Government intends to transfer balances of these (mainly commercial) bank accounts to the Government main account at the Bank of Jamaica, and that the Government has begun discussions with donors to secure technical support. There is still a low progress in closing hundreds of bank accounts, but the Government is determined to bring this process to a more expeditious headway. Out of about 4,000 identified accounts, comprising MDAs, schools and other primary service delivery units and others not forming part of the central government (schools amass almost 50% of the total bank accounts), the initial plans envisage that 132 dormant bank accounts plus another hundred accounts are to be closed by end of FY 2012/13. So far about three quarters of this has been achieved and the balances were transferred to the Bank of Jamaica—this has resulted in a lodgement of about US$1,460 million to the Consolidated Fund.

(iii) Systems for contracting loans and issuance of guarantees

Score B: MOFP has the sole authority to contract loans and issue guarantees, subject to the approval of Parliament, and as long as central government's contracting of loans and issuance of guarantees are made within limits for total debt.

During the past three years, central government´s contracting of loans and issuance of guarantees was made within limits set forth by a Medium Term Debt Management Strategy (MTDS) and Annual Borrowing Plan approved by MOFP.

The MOFP has laid out a second Medium-term Debt Management Strategy (MTDS) on May 20, 2012 utilizing the framework developed by the International Monetary Fund and the World Bank. The MTDS embodies the Government's desire and commitment to proactively manage the public debt within an environment of increased accountability and transparency. The MTDS is underpinned by the Fiscal Responsibility Framework (FRF), which was effected through amendments to the Financial Administration and Audit (FAA) Act and the Public Bodies Management and Accountability (PBMA) Act. The FRF represents the Government's commitment to structural and fiscal reforms to proactively manage the public finances and ensure both fiscal and debt sustainability. The MTDS provides the basis under which the Annual Borrowing Plan will be executed.

Guided by the MTDS, the Government continues to pursue a strategic approach to borrowing that is designed to return the public debt to sustainable levels by ensuring that the overall borrowing requirements are met at minimum cost and are consistent with a prudent degree of risk.

According to the Finance Administration and Audit Act, loans should not be contracted, or guarantees granted without prior authorisation from Parliament, which should also set a limit each year on Government borrowing by overdraft from banks. The FRF does prescribe through the MTDS how and when such Parliamentary approvals are to be sought, based on the overall debt ceilings laid out herewith. The Treasury Bills Act of 1977 or other more recent legislature does not have a provision limiting the Treasury Bills issue to a specific per cent of current revenues in any given fiscal year. It appears that the approved overdraft limit was frequently exceeded during the recent years by public bodies. The Budget Estimates presented at the beginning of each year contain a complete statement of Government debt outstanding at the end of the previous calendar year. A complete statement of all Government debt, including guarantees given for borrowing by statutory bodies and in a few cases private companies, is provided in the annual Financial Statements which are generally published, together with the Auditor's report, about a year after the end of the fiscal year to which they relate.

Progress made and recent developments: The closure of a large number of bank accounts under the CTMS Project is on firm progress, although the initial phase in laying down the necessary institutional arrangements has slowed the implementation and the latter has faced various technical challenges. Other technical and legal challenges are at sight and yet, the Government is firmly committed to undertake the steps required to close the dormant bank accounts in FY 2012/13. As of September 2012, a total of 92 dormant bank accounts out of 132 had been closed, and an overall of 158 bank accounts had been closed out of approximately 4,000 identified commercial and state bank accounts. The number of bank accounts to be closed during the next phases is not yet clear, especially within those four line ministries in which the CTMS will be piloted. CTMS shall enable the MOFP to better monitor and control the cash resources available in the banking system and take the necessary actions leading to better decision making in regards to cash and debt management and programming.

In 2007, dimension (i) on the quality of debt recording and reporting was rated B, which is now downgraded to D in 2012. This is attributed to deficiencies in the registry and reporting of public debts highlighted in recent years. Dimension (ii) on the extent of consolidation of the Government's cash balances was rated A, which is now degraded to C, taking into account the growing number of bank accounts created since 2006 and operating away from the Consolidated Fund banking system and the inability of the MOFP to have a consolidated report on the Government's cash balances. Dimension (iii) remained unchanged in B. The overall score decreased from B+ in 2007 to C in 2012.

PI-18 Effectiveness of Payroll Controls

Overall score (Scoring method 1): D+

The personnel emolument amounts to approximately 12.9% of the 2012/2013 budget, to which a significant share of the 29% allocated to grant and contributions (parishes and public bodies) should be added. It represents 60% of the primary expenditures (excluded interests payments and cap B donors funded).

There is a total work force of 117,125 personnel (including approximately 20,000 teachers), out of which 13,973 posts remain vacant. This compares to an approximate figure of 100,000 public servants, police and Jamaican Defence Forces in 2007 PEFA (4% increase).

(i) Degree of integration and reconciliation between personnel records and payroll data

Score D: The establishment, the nominal roll of the entities and their payroll are not linked, nor integrated. There is no mechanism in place to collect all personnel data and to reconcile them with the establishment list and the monthly payroll.

The payroll system is fragmented with 17 systems currently co-existing. None of the databases is linked to the establishment database (excel) or the nominal rolls (maintained by the OSC or the entities given delegation). There is no mechanism in place to collect all personnel data and to reconcile them with the establishment list and the monthly payroll. The payroll databases are managed by inclusion of personnel on the strength of a letter or memo from the human resources departments of the entity. There is no standardization of software; in some cases electronic spreadsheets and paper files are used. Such a system is prone to errors, manipulation and does not permit easy data queries and automatic checks. Currently, the Accountant General Department pays directly 5,000 employees with Bizpaid, a resident firm system under a service contract with the MOFP. Another 30,000 employees are paid through entities using Bizpaid. As of 2012, the license expires, but there is no plan yet to ensure smooth transition.

(ii) Timeliness of changes to personnel records and the payroll

Score B: It appears that changes are kept within one to two months in the MDAs visited, although it was not possible to verify this. In the cases of Education and Health, changes are effected manually by regional offices.

(iii) Internal controls of changes to personnel records and the payroll

Score C: Controls are both carried out for the changes by the HRM unit in each MDA, using the Establishment Order as a basis and for the personal files in principle. The authority to effect changes to the nominal, establishment and payroll databases is clear. Where entities have been delegated authority, their human resources management unit is in charge. Controls are made difficult by the lack of integration of the databases. Errors and breaches are still reported by the Auditor General, on the basis of samplings.

The human resources management and payroll can be understood as consisting of three major components: i) human resources management, that corresponds to selection, hiring, termination and management of public employees, including public bodies by the Office of the Services Commissions[31], which is being progressively delegated to MDAs; ii) the establishment of posts for each public entity (at unit level) that is managed by the Public Sector Establishment Division; and iii) the payroll that is decentralized (albeit a small share is centralized at the Accountant General Department and there is a plan to recentralize it). Chapter 2 provides further details on the legal and institutional arrangements.

At this point in time, there is no central database with all public sector employees and, although a census was organized in 2010 by the Public Sector Modernization Unit of the Office of the Cabinet, it was not reconciled against all entities' records. As such, controls on transfers, termination and changes are manual, and do not have reconciliation mechanisms. In other words, one person may be on two payrolls or a payroll may be modified to pay an employee with terminated contract or an employee that was never hired. The OSC carries out audits of the delegated entities, though this audit is limited to the human resources management and compliance to regulations.

The Civil Service Establishment Act requires the Public Sector Establishment Division to prepare the Civil Service Establishment Order, which is tabled annually to the Parliament. It presents the organizational structure as approved by the Office of the Cabinet and resources in accordance with Post Operation Committee decisions, providing a mechanism for wage bill control. Thus units and divisions have reported to have a higher establishment level than posts resourced. The Civil Service Establishment Order allows tying posts to remuneration and allowances, and each post is assigned a unique number by the Research and Establishment Unit which maintains the database and has thus the potential for strict control on the wage bill. However, the payroll and the nominal rolls maintained and managed by the entities are not tied to the establishment database, a missed opportunity for control. Further, wage bill control is undermined as in some cases, e.g. for teachers, compensation is not tied to the Establishment but to nominal roll and Union negotiations.

Changes to the payroll are all done manually and based on reports from the Human Resources Department of the entity. Changes result from transfers, sick leave, study leave, promotion, acting, etc. According to interviewees, all employees have to sign a registry on a daily basis, controlled by the Human Resource department of the entity. After failure to sign for three days, the human resources department will enquire as to the absence, potentially leading to the person being taken off the payroll for that month. It would thus appear that changes are timely. However, in its sampling the AUGD has found evidence of overpayment and payment to persons with terminated contracts, suggesting that the payroll controls and sanctions are weak.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Score C: The PESD ensures controls through reporting done by MDAs against the Establishment. This is not used to reconcile with nominal roll information. In 2010, the Public Sector Modernization Unit at the Office of the Cabinet conducted a census, but,

[31] The OSC is the administrative secretariat responsible for the five Commissions that supervise the employment of staff: the Public Service Commission, the Police Service Commission, the Judicial Service Commission, the Municipal Service Commission and the Parish Councils Service Commission. The Teachers Service Commission, the Health Regions, the Statutory Bodies and the Executive Agencies operate under separate rules.

as it was not reconciled against all individual databases, its usefulness for executing controls was limited. The OSC audits only the HR management compliance. The Auditor General Department conducts payroll audit and detects and reports errors, if minor, revealing system weaknesses but has not done an IT audit of the payrolls.

The payroll is audited by the Internal Audit Unit of each entity as part of their annual plan. However, for the line ministries visited, it appears that the internal auditors typically perform one annual audit on a sample basis. Given the level of fragmentation of the personnel management across several entities, systems and databases and in absence of an integrated personnel management database, even at the level of the MDAs, including establishment and payroll, sample audits are not effective control tools. The AUGD audits the payroll as part of its statutory audit. Its report contains findings on payroll such as overpayments, advances and payment to terminated employees. The AUGD has not yet conducted an IT audit of payroll systems across a sample of ministries and public bodies. There is no dedicated payroll audit carried out regularly, but the Research and Establishment Control Unit receives quarterly updates since 2010 based on the Establishment Order and may perform audits. A post audit was conducted by the Research and Establishment Control Unit of the Public Service Establishment Division in line with World Bank conditionality and the Employee Census was performed by the Office of the Cabinet in the context of the 2009 Standby Agreement with IMF. Given the size of the wage bill, payroll controls and links to nominal and establishment database are significant risk transactions.

Progress made and change explanation: The MOFP Accounting, Financial Systems and Procedures Unit is responsible for developing, upgrading and maintaining systems for accounting, payments and payroll. A plan for a Centralized Treasury Management System is approved and implementation began in 2012. As part of the plan, a centralized payroll management system is foreseen but details have not been disclosed as of yet. However as this system is a payment system, unless it will have direct links to the establishment and nominal roll databases, controls over the payroll will not be sufficiently improved. The Accountant General's Department has already centralized the payment of utilities, and statutory deductions of employee salaries. The Auditor General's Department is increasing its use of IT audits, but has not yet conducted an IT audit of payroll systems across a sample of ministries and public bodies.

Though reforms are now planned, they have not yet started in practice and cannot warrant a positive arrow of change. No sufficient changes have been evidenced since 2007 PEFA.

PI-19 Transparency, Competition and Complaints Mechanisms in Procurement

Overall score (Scoring method 2): C↗

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

Score C↗: The current legal and regulatory framework meets 3 of the 6 criteria. On-going reforms warrant a positive change arrow. The table below provides detailed explanation.

The procurement of goods and services in the Government of Jamaica is regulated by the FAA Act and the Contractor General Act which grants the Office of Contractor General the necessary powers and duties and establishes the National Contracts Commission as the oversight arm. The Contractor Levy Act creates a 2% fee, which is deducted by the procuring entity and remitted directly to the Inland Revenue Department. This amount is set against the contractor's income tax liability for the year. The Public Sector Procurement Regulations were promulgated in 2008, a significant step forward, although limited. These regulations provide a strong legal foundation for public procurement, making it clear that the open tender method is the default method of procurement for the public sector.

The legal and regulatory framework still requires modifications, and a new Procurement Act and Regulations intending to clarify the responsibilities between the different institutions and reinforcing sanctions for non-compliance is at the layman draft stage. Currently sanctions are limited to J$1,000 (i.e., US$12), hardly a deterrent, or a 3-month jail sentence that have never been applied (no judicial proceedings). The Contractor General proffers remedial recommendations and referrals, although it expresses the view in its annual operations reports that these are usually not followed (see PI-26). Further details on the legal and institutional framework are provided in Chapter 2.

Requirement on the legal and regulatory framework	Justification
Be organized hierarchically and precedence is clearly established	Yes, procurement is regulated by the Contractor General Act that vests monitoring and investigations powers to the Contractor General for all procurements, licenses and disposals and divestitures, and establishes the National Contract Commission (NCC) for registration and oversight. The 2008 regulations further specify procurement proceedings and methods, detailed in the Public Sector Procurement Handbook. The NCC has both a policy role and an operational role

Requirement on the legal and regulatory framework	Justification
	while the Contractor General has an operational investigation and monitoring role. It also supports the NCC. The Procurement and Asset Policy Unit of the Ministry of the Finance and Planning develops policy with the NCC, and ensures supervision, with regard to the expenditure programmes of the procuring entities (procurement plans).
Be freely and easily accessible to the public through appropriate means	Yes, all documents are posted online and can be requested at offices. The breadth of information posted provides a significant information repository for the civil society and the media.
Apply to all procurement undertaken using Government funds	No, although the GOJ policy affirms that intention it falls short of its application. The 2008 Regulations and the Handbook include a number of exclusions that preclude a de facto application to all procurements. It is noteworthy that it is a requirement of the law that other instruments regulate these exclusions, and this is monitoring and applied.
Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified	Yes, the GOJ policy clearly states the competitive method being the primary method of procurement and makes due consideration to other methods. The Regulations 2008 specifies (Part IV, 8.2) that open tendering, referred to as competitive methods in the Handbook, is the default method for public sector procurement. The Handbook details all procurement procedures applicable, indicating applicable thresholds (imposing all procurement above the Direct Contracting threshold to be done competitively through Local Competitive or International Competitive Contracting) and conditions for exceptions and subsequent application of other, less competitive procurement methods, as Limited Contracting and Direct Contracting. This is again subject to thresholds over and above which the National Contract Commission's and the Cabinet's endorsement are required.

Requirement on the legal and regulatory framework	Justification
	Justification is the responsibility of each procuring entity (Accounting Officer or CEOs).
Provide for public access to all of the following procurement information: Government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints	No, the legal and regulatory framework only speaks to the publication of bidding opportunities and contract awards, and the Contractor General reports and National Contract Commission registrations and endorsements. Public entities are required to submit procurement plans but most fail to comply. Bidding opportunities' publication is regulated by the thresholds, and published as necessary for competitive methods. The Contractor General ensures a Quarterly Contract Award regime that obliges all entities to report, and publishes this data. As such, although not requiring publication, contract award through non-competitive methods below the NCC endorsement threshold are published. Only shopping is not published. Data on resolution of procurement appeals can be published (none to date); the Contractor General's investigations, including those initiated by complaints, are published in its Annual and Special reports.
Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature	No, although the current Procurement Appeal system allows a three-tier administrative process and a judicial process, the restrictions imposed on what may be cause for a compliant de facto negate a large number of possible complaints. This is further limited as (i) the time limit for making an appeal is subjective, (ii) no no-contract signing period is prescribed between award and signature, and (iii) Procurement Appeal Board decisions are non-binding. Importantly the Office of Contractor General receives complaints that lead to enquiries and if necessary investigations, and recommendations. Note that its recommendations are not binding. The Procurement Appeal Board has not registered any appeals since inception in

Requirement on the legal and regulatory framework	Justification
	2008.
Number of criteria met out of the 6 specified	**3**

(ii) Use of competitive procurement methods

Score D↗: The data collected does not permit verifying if justification for the use of non-competitive methods is adequate in all cases. For FY 2011/12 it is possible to ascertain that adequate justification was given for 14% of non-competitive awards (in value).

The Procurement Regulations (2008, Part IV, 8.2) specifies that open tendering, referred to as competitive methods in the Handbook, is the default method for public sector procurement. The criteria for direct contracting and limited contracting are detailed and though they attempt to limit the cases for application, may be subject to interpretation. However, their application is restricted over and above the authorized thresholds of the procuring entities, by the endorsement of National Contract Commission (and above, by the endorsement of the Cabinet).

Table 37: Procurement methods applicable thresholds to Head of Procuring Entities, NCC endorsement, and Reporting

Type of procurement	Prior to 2012	From 2012	Reporting and Control
Local and International Competitive Contracting	>J$10,000,000 in all cases Recommended from >J$3,000,000	>J$15,000,000 in all cases Recommended from >J$5,000,000	Reporting in QCA, control by OCG and Internal Audit and Auditor General, reporting to MOFP through PRS-1
Limited Contracting	<J$10,000,000 =>Head of Procuring Entity >J$10,000,000 =>NCC endorsement	<J$15,000,000 =>Head of Procuring Entity >J$15,000,000 =>NCC endorsement	Reporting in QCA when below NCC endorsement or on NCC website, only registered contractors, control by OCG and Internal Audit and Auditor General, reporting to MOFP through PRS-1
Direct Contracting (exception to competitive method)	<J$3,000,000 =>Head of Procuring Entity >J$3,000,000 =>NCC	<J$5,000,000 =>Head of Procuring Entity >J$5,000,000 =>NCC	Reporting in QCA when below NCC endorsement or on NCC website, only registered contractors, control by OCG and

	endorsement	endorsement	Internal Audit and Auditor General, reporting to MOFP through PRS-1
Direct Contracting (shopping method)	<J$275,000	<J$500,000	No reporting in QCA, no requirements for registered contractor, control by internal audit and Auditor General by sampling, reporting to MOFP through PRS-1

Source: NCC.

Data on the justification of the use of non-competitive methods over and above the direct contracting threshold is maintained by the procuring entities up to their authorisation level (see table above). Above that threshold, it is scrutinised by the National Contract Commission for their endorsement. The Office of the Contractor General provides on its website the list of reported contracts by all procuring entities that are above the direct procurement and below the NCC endorsement threshold (Quarterly Contract Awards - QCA - Regime); however, justifications are currently not displayed. This will be amended in 2012/2013 with a new QCA reporting format. The Internal Audit, the Office of the Contractor General and the Auditor General control this procurement on a sampling basis. Breaches have been reported for non-reporting and non-justification. The NCC publishes on its website all endorsed contract awards above the procuring entities thresholds for which it has given its endorsement. Currently, both websites provide information on the awardees, the contract value, the procurement method, the awarding public body and the source of funding, although not on the justification.

Table 38: Summary of Number and Volume of Contract Awards by Authorisation Thresholds

(in J$)

	FY 2009/2010	FY 2010/2011	FY 2011/2012
Total Number	11,254	10,469	10,329
Total value	***58,877,989,144***	***48,920,188,134***	***38,520,717,668***
Of which			
Other than competitive			
Total Number	3,664	3,319	3,577
Total Value	***23,603,936,271***	***6,709,035,071***	***6,607,479,782***
Of which			
NCC endorsed			
Number	206	26	13
Value	***18,591,957,021***	***1,958,634,023***	***900,992,697***
HOPE approved			
Number	3,458	3,293	3,564
Value	***5,011,979,250***	***4,750,401,048***	***5,706,487,085***

Sources: OCG and NCC.

From the data above, the proportion of contracts and value of spend awarded through non-competitive method and the proportion for which justification is ascertained by NCC can be calculated.

Table 39: Proportion of Contracts Awarded and Volume Awarded through non-competitive methods

	FY 2009/10	FY 2010/11	FY 2011/12
% of contracts awarded through non-competitive methods	32.56%	31.70%	34.63%
% of volume awarded through non-competitive methods	40.09%	13.71%	17.15%
% of contracts awarded through non-competitive methods without justification ascertained (NCC)	94.38%	99.22%	99.64%
% of volume awarded through non-competitive methods without justification ascertained (NCC)	21.23%	70.81%	86.36%

Sources: OCG and NCC.

Given the reporting requirements and scrutiny and control exercised by NCC, it can be considered that all contracts above the authorisation threshold of an Head of Procuring Entity have been awarded with due justification for the procurement method (at least those contracts that are reported, as the Office of the Contractor General detected unreported contracts). All contracts awarded below these thresholds using a non-competitive method have to be justified, although the existence and compliance of this justification cannot be asserted at the point in time. Thus, 86 % of volume was awarded using other methods than open tender in the last year.[32]

Registration system and classification:

Under the 2008 Regulations, all vendors' contracting with GOJ must be registered for any contracts over and above the Direct Contracting threshold (see table above). The National Contract Commission establishes the criteria for registration and classification of all vendors (note that consultants are registered as part of their professional associations, and as such service classification is limited to maintenance, cleaning courier, customs brokerage, etc.; insurance comes under a different regime). The registration and classification seeks to address compliance (much like the role of compliance criteria usually included in standard bidding documents) to ensure that only fully tax compliant, licensed companies that have not been debarred participate in public procurement. This has the potential advantage of ensuring greater transparency than with their inclusion solely in Standard Bidding

32 Note that it uses as a basis contract award that are different from contracts signed and executed.

Documents. It may also allow efficiency gains since the compliance review is performed only once per company, per year, as opposed to the multiplicity of times if such compliance testing was done as part of each bid evaluation. The NCC establishes the criteria, while the OCG runs the registration process and tables to the Commission its findings for the Commission to vote. Although a potential conflict of interest exists, this is a perception that does not materialise in practice.

However, these objectives are undermined by a number of issues, among others:

1 The practice of contractors to provide falsified documentation and false declarations for (re-) registration led the Office of the Contractor General to undertake a 100% verification of all contractors' application;

2 The classification itself is based on a number of criteria, that appear more as evaluation than administrative compliance criteria, thus resulting in classification that limit opportunities for companies;

3 The classification is restrictive and binding, thus resulting in local competitive procurement limited to registered companies;

4 Provided the de-facto limitation imposed by the classification for a vendor, and the level of corruption indices reported by Transparency International, and other think-tanks, the classification may well act as a deterrent to a company investing into its means for growing, a critical issue for the development of private sector capacity;

5 The registration of companies requires Tax Compliance Certificates, while sub-contractors are not forced to be registered. As only 1829 vendors are currently registered, compared with close to 60,000 businesses registered (excluding all sole proprietorship, see PI-14), and without any direct links between the NCC database and the Tax Administration Jamaica, it appears that vendors can evade tax obligations while contracting with GOJ; and

6 The classification, in general, has limited application for goods and services.

The National Contract Commission and the MOFP Procurement and Asset Policy Unit are well aware of this situation and have indicated that there is an on-going reform plan of the registration and classification system. The evident and stunningly low registration of vendors and non-obligation for sub-contractors to be registered imply that vendors may seek to open several companies, only register one and sub contract others and evade tax obligations. Given the absence of linkages of the Tax Administration Jamaica database to other significant databases as well as the nascent TAJ Data Mining Unit, this situation poses a significant threat to overall revenue collection and economy of the procurement process (hidden costs).

(iii) Public access to complete, reliable and timely procurement information

Score B: Three out of four key procurement documentation elements are available, namely, the bidding opportunities, the contracts awarded, and resolution of appeals. The data is generally complete and reliable. It is published regularly on the OCG and NCC websites and for bidding opportunities in the print media. Data on resolution of appeals is publishable but no appeals have been registered to date. The OCG publishes its investigations for each complaint received.

In terms of public access to procurement information, although public entities are required to submit procurement plans, most fail to comply and those plans that are submitted are not published. Bidding opportunities' publication is regulated by thresholds, and published as necessary for competitive methods. Contract awards are published under the QCA regime on the OCG website, and when over and above the prescribed thresholds on the NCC website. The data is complete and reliable, with the exception of procuring entities not complying (as reported by the OCG). Data on resolution of appeals is publishable, but no appeals have been registered to date. The OCG publishes its investigations of each complaint received.

(iv) Existence of an independent administrative procurement complaints system

Score C: The procurement appealing system does meet criteria (i) and (ii) and two other criteria.

The 2008 Regulations and the Public Sector Procurement Handbook prescribe the process for submitting and addressing procurement process complaints as part of the procurement appeal process, eventually leading to the Procurement Appeal Board; in practice there appear to be no complaints lodged since 2008. A three-tier mechanism is in place. The Head of the Procuring Entity is responsible for receiving complaints as the first level for resolution. This may act as a deterrent to the bidder. Should no agreement be found, the complainant could take the matter to the National Contract Commission and then to the Procurement Appeal Board. As the National Contract Commission is an operational body, that has endorsed the procurement method, this could raise potential conflict of interest.

A contractor may lodge a complaint 20 days after the date of becoming aware, or should have become aware, of the circumstances upon which the complaint is lodged: this definition is subject to interpretation and does not preclude the signing of the contract. The period for the Head of the Procuring Entity to come to a dispute resolution decision is 14 days after the lodging of the complaint. Should the complainant disagree, it is allowed 14 days to lodge an appeal to the National Contract Commission (NCC). The NCC is allowed 14 days to recommend appropriate resolution to the Head of the Procuring Entity. Again, should the complainant disagree, he is allowed 14 days to lodge an appeal to Procurement Appeal Board. In the case that the Head of the Procuring Entity fails to act upon the Procurement Appeal Board's recommended actions, the contractor may resort to judicial review by the courts.

Requirement on the legal and regulatory framework	Justification
(i) Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as Government.	Yes, in principle this set-up exists for all three levels of the appeal mechanism.
(ii) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;	Yes. The Procurement Appeals' Board is independent and comes after the first two levels. The Head of the Procuring Entity is the first level for appeal and is party to the procurement proceedings and award decision. The National Contract Commission, the second level of the appeal mechanism, is party to the proceedings.
(iii) Does not charge fees that prohibit access by concerned parties;	Yes. No fees are chargeable.
(iv) Follows processes for submission and resolution of complaints that are clearly defined and publicly available;	No, the processes are broadly defined in the 2008 Regulations and the Public Sector Procurement Handbook, but are not sufficiently prescriptive to become a clear and unambiguous guide as to the handling of a complaint.
(v) Exercises the authority to suspend the procurement process;	No. There is no no-contract signing period between award and signature. There is no power vested with the NCC or the Procurement Appeal Board to stop procurement proceedings or a contract being signed. The same applies to the Contractor General. As such and even where the Contractor General issues Special Reports on procurement matters with referrals, proceedings are not stopped, limiting gravely the effectiveness of control and appeal processes.
(vi) Issues decisions within the timeframe specified in the rules/regulations;	Yes, although this is not verifiable as no complaint was lodged since 2008.
(vii) Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	No. Decisions are not binding. The complainant will have to recourse to judicial action.
Number of criteria met out of the 7 specified	**4**

The low incidence of complaints may arise because there is no separation of responsibilities between the implementation of the procurement procedures (the Head of the Procuring

Entity) and the officer made responsible for dispute resolution (the Head of the Procuring Entity). Given the limited number of registered contractors, it may well be a better strategy for a company to accept the situation. Further, the period for lodging a complaint rather than being tied to an unambiguous start date such as the date of announcement of contract award depends on a subjective date. As there are no time bounds for each stage of the procurement process (only for the publication of bidding opportunities, bid validity is reported to be extended frequently), this makes the 20 days period even more questionable. Further, the 2008 regulations specify that no complaints should be lodged with regard to the selection of the procurement method or the rejection of all tenders by the entity, limiting the scope of application of the appeal mechanism. In addition, the appeal process is not binding and cannot stop any proceedings, this leaves in practice very little space and incentive for lodging a complaint: no complaint was lodged since 2008.

Interestingly, the Office of the Contractor General receives complaints too. It treats them, as part of its remit, in a two-stage process: 1) an enquiry to determine if the complaint is frivolous, and 2) if not, if it should be referred to a specific body or to the NCC as part of the appeal process, or alternatively, if it should be processed as a deviation from the law and regulations (for example as in the case of the selection of a non-competitive procurement method), under the purview of the Office of Contractor General. In such a case, the enquiry may suffice to provide sufficient evidence for recommendation, and if not it will be investigated. Given the limitations of the appeal process, and even if the recommendations of the OCG are not binding and cannot stop procurement proceedings, it appears that the thoroughness of the enquiry and investigation processes and the publicity offered by the publication of the Annual Report provide greater incentives than the established Procurement Appeal System.

The default position for dispute resolution (when no actions are taken by the Head of the Procuring Entity in response to the complaint) is judicial review which is not time bound, and so the design of the complaints process is not set up to ensure operation with the timely resolution of complaints.

Progress made and change explanation: The reform of procurement is on-going since 2008 and its process will deeply affect the current institutional, legal and regulatory framework (layman's draft prepared and available, based on UNCITRAL model law). It shall clarify the division of duties and responsibilities between the Ministry of Finance and Planning, OCG and NCC, and include deterrent administrative sanctions. The bill also provisions the re-establishment of NCC with clear separation from the OCG. Also, the Procurement and Asset Policy Unit is structuring a new compliance team to enforce submission of procurement plans and is commissioning a new system for managing data. The procurement reform includes an e-Government component whereby all bidding opportunities will be published on a unique website. The National Contract Commission, along with the Procurement and Asset Policy Unit, has taken steps towards reforming the registration and classification system and thus making it an effective control mechanism that will bring discipline to the procurement process, improve compliance of vendors to tax obligations and improve the economy of the procurement process, without limiting competition.

The Office of Contractor General will change the QCA monitoring regime in 2012/2013. The new reporting standard will require providing justification for the use of less competitive methods, and publish the QCA results. It will allow, with certain on-going system changes at the OCG, to better use the database for detecting risks such as splintering (slicing).

In appreciating change, care to account for the revised indicator is necessary. This does not permit a direct comparison from 2007 to 2012, although it still shows the course taken by public procurement. Given that 2008 regulations were passed, the change has been positive and should a scoring of sub-dimension (i) be done retrospectively for 2007, the movement would likely be D to C[33]. The change from C to D with regards to sub-dimension (iv) is due to the more detailed and specified requirements resulting from the change in the indicator. It demonstrates that, as currently designed, as was already the case in 2007, the procurement appeal process is ineffective (as reported in 2007).

PI-20 Effectiveness of Internal Controls for Non-Salary Expenditure

Overall score (Scoring method 1): D+➚

To provide assurance that activities in each Ministry are being carried out in accordance with the FAA Act and the monies voted correctly applied for the purpose for which they were intended, Accounting Officers are required to submit a Monthly Status Report by the 14th day of the succeeding month showing, inter alia, the position of the following accounting statements:

(1) Preparation of Annual Appropriation Accounts;

(2) Preparation of Monthly Accounts (Schedule of Monthly Accounts);

(3) Bank Reconciliation;

(4) Clearance of Advance Accounts;

(5) Verification of Assets and Value Book (Inventory Records);

(6) Replies to external audit queries;

(7) Implementation of Public Accounts Committee recommendations.

It shall be the responsibility of Accounting Officers to institute suitable internal reporting within the administration of their ministries and the departments and agencies for which there is a portfolio responsibility to ensure that the above information is computed for

33 As no regulations were in force in 2007, open tender was not established as preferred method. Thus only one of the six criteria would have been met in 2007, corresponding to a "D".

each Head of Account and sent to the Ministry of Finance and in the prescribed format from time to time.

The implementation of the budget begins with the issuance of warrants, which provide the authorisation to incur expenditure. Warrants are instruments of authority under Section 117(1) of the Constitution issued by the Minister of Finance to the Accountant General specifying the sums to be withdrawn from the Consolidated Fund for disbursement to Accounting Officers specified in such warrants in accordance with provision under the Appropriation Act. In accordance with FAA Act Section 9(6), the Minister of Finance has the power to restrict the sums to be withdrawn from the Consolidated Fund with a view to balancing the outflow of funds to match with the inflow of revenue and other receipts.

The Public Expenditure Division (PEX) prepares the warrants on the basis of the yearly MDAs cash flow projections supplemented by quarterly and monthly cash flow projections updates to account for variations. Evidence suggests that warrants issued are above the cash projections. The warrants are issued monthly, thus restricting the planning horizon of the spending units. This situation was already highlighted in 2007, with the report stating: "it appears that the warrants were not always a strict indication of the cash releases to the MDAs; although this situation has improved significantly during the last financial year." It appears that the situation has not improved, and may have degraded with the current cash restrictions. A direct impediment to the quality of the warrant system and cash projection emanates from the absence of meaningful procurement plans as part of the budget preparation process. Indeed, the procurement plans remitted lack information and consistency, and most are not submitted and updated on the basis of the final estimates of revenues and expenditures. Developing meaningful procurement plans is impaired by the lack of time-bounds to the procurement proceedings.

(i) Effectiveness of expenditure commitment controls

Score D➚: The expenditure commitments control system is not complete (no tracking of purchase orders, no registering of contracts in the accounting system) and is not functional due to partial recording and cash availability constraints. It is further hampered by inadequate procurement plans, when they exist, and a warrant system that does not adhere to the cash flow projections, causing uncertainty on the strength of the warrant, already limited to 30-days horizons. MDAs continue using budget voted as a basis for commitment but report commitments made over the budget ceiling.

Expenditure commitment control can only be based upon timely and reliable projections on the availability of funds. Therefore, commitment control is weakened by the uncertainty of cash availability beyond the 30-day period for the warrant and the uncertainties as to whether warrants are a true indication of cash availability (unfunded warrants). The accounting basis in Jamaica's central government is now on cash, a shift of policy since 2007; as noted above in PI-4, this arose from the abandonment of the Period 13 practice that allowed payment of liabilities accrued in year N during the first three months of year N+1 but booked as year N. It is generally accepted that this has eased the reporting for the departments (improved timely submission of financial statements). However, it is now clear, although not measured, that a significant amount of commitments delivered during year N (constituting a liability) is now paid during year N+1. Currently, FINMAN records the commitment requisitions, a necessary step to use the warrants, but since the basis is offline it is not clear whether all necessary requisitions are entered. FINMAN does not record purchase orders. Only liabilities (certified invoices) tied to a commitment requisition (in other words for which cash should be available) are entered. Consequently, commitment control cannot be effective.

The Public Expenditure Division tracks down payment arrears, but it appears that these are only the liabilities that could not be paid[34], measuring the difference between commitment requisition and payments. It does not account for all other commitments that go unreported. The MDAs interviewed have all confirmed that they continue using the budget voted as the basis for commitment at central level, but they also reported the existence of commitments made over and above the budget voted in some user departments. The Accounting, Financial Systems Division has prepared a new circular that sets a clear basis for all stages of commitment, it will form an unambiguous basis for control by the internal audit units.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures

Score B: Procedures on procurement, asset management as well as accounting procedures exist and basic internal control rules and procedures are generally understood and known by the MDA staff involved, although they may not always be enforced accordingly.

The Ministry of Finance and Planning and line ministries interviewees demonstrated their understanding of the procedures in force in Jamaica, in compliance with the FAA Act. References were made precisely to procedures, forms and information flows, to the FAA Act and other acts or guidelines such as for procurement, asset management and accounting. The MOFP Public Expenditure Policy Coordination Division provides guidance on the financial management while the Financial Management unit provides support in the form of instructions. Also, the Internal Audit Directorate has an induction course for ensuring that its staff knows the rules and audit techniques. Enforcement of procedures may not be adequate as demonstrated by regular breach of compliance reported in audit reports.

(iii) Degree of compliance with rules for processing and recording transactions

Score C: Repeated breaches of rules are documented throughout internal audit reports, Auditor General reports, Contractor General reports, and, in practice, their effectiveness is reduced by the weak controls enforcement and sanctioning frameworks.

The Public Expenditure Policy Division (Accounting, Financial Systems and Procedures Unit) provides technical support to establish financial management manuals and

34 The PEX Division tracks payment arrears for 0-30 days, 31- 60 days, 61- 90 days and over 90 days.

instructions and fill out the gaps in internal controls and procedures, in response to identified weaknesses. The Division includes the Procurement and Assets Policy Unit and the Fixed Assets Management unit (see PI-19). The latter lays the rules for recording, managing and disposing (or transferring) Government's fixed assets and inventories. Management of buildings falls under the purview of the National Land Commission. Fixed assets are managed at each entity level. A Board of Survey controls their disposal. Although guidance does not include a specific Donor Chapter, procedures for completion and delivering of projects are generally adhered to. The Unit report that deals with dispensing, accounting for and tracking of supplies and equipment to multiple entities during a project may pose challenges.

The Public Expenditure Policy Coordination Division of the Ministry of Finance and Planning was set-up to provide guidance on and to strengthen the financial management in order to tackle the system weaknesses identified. Specifically, an Internal Audit Directorate was created. It provides oversight to the internal audit units in the MDAs while the executive agencies are covered separately (see PI-21). It adheres to the Institute of Internal Audit Standards and seeks to address systemic risks.

The financial management rules and procedures are clear and accessible through manuals. However, reports from the Auditor General, the Contractor General and the internal audit units located in MDAs indicate frequent and recurrent breach of rules, particularly with regard to financial management and procurement. The Contractor General has developed a Quarterly Contract Award (QCA) regime aimed at reporting and publishing all contracts awarded by the heads of procuring entities, below the National Contract Commission (and Cabinet) endorsement thresholds. This provides a useful basis for control (risk based audit planning) and a critical addition to the internal audit units' work. The Procurement and Assets Policy unit of the Ministry of Finance and Planning receives monthly reports (PSR-1 form), although their usefulness is limited due to the absence of procurement plans.

It is worth noting that procurement controls are also undermined by the current legal and regulatory framework which neither requires subcontractors to register, and thus not requiring a Tax Clearance Certificate, nor requires Tax Clearance Certificates for contracts below the Direct Contracting threshold of J$500,000 (US$5,800). The recurrent breaches are a consequence of (i) the lack of sanctions applicable for non-compliance to rules, weakening the overall control and governance frameworks, (ii) the lack of systemic corrective measures weakening further the control environment, and (iii) the cash constrained environment in which the financial managers have to operate. According to interviewees, one of the limitations to compliance is the lack of training of the officers (procurement, internal audit). Although a 2-days induction course is followed by procurement officers, training for all involved in the use and control of public procurement is required, including the private sector, according to the Procurement and Assets Policy Unit.

The AUGD's latest report (for FY 2010/11) indicated "failure by several entities to comply with the Government's financial rules continued to result in inadequate control over stores, furniture and equipment, the custody of blank cheques, the preparation and payment of salaries and the purchase of petrol, thus undermining the objective of safeguarding Government's resources". The report indicated that although recommendations to address breaches of compliance were addressed, only a few MDAs attempted to take a systemic approach to reinforce internal controls.

Progress made and change explanations: A number of reform efforts are ongoing, spearheaded recently with the introduction of the CTMS. Chiefly, the Central Treasury Management System (CTMS) is sought to provide direct commitment control and payment control, thus alleviating a major impediment to the implementation of other controls. Procurement reform is also ongoing (see PI-19). The Office of the Contractor General is developing its QCA regime to ensure it can use the data to better detect risk of splintering (slicing) and focus on these areas. The Procurement and Asset Policy Unit of the Ministry of Finance and Planning is also strengthening monthly monitoring of procuring entities and seeks to obtain all procurements plans, and their update. Such developments would provide a powerful basis for improved controls of both the procurement legality, in line with the budget and policy intent, and its regularity.

The situation has not changed considerably since 2007 and may have even degraded further due to the cash situation with commitments control not being conditioned in the current set-up, thus making the failures of controls even more likely, thus impairing the Fiscal Responsibility Framework. Although the Office of Contractor General and the MOFP Procurement and Assets Policy Unit are stepping up their efforts in improving controls in a more coordinated manner, the effectiveness will remain limited unless sanctions are relentlessly applied and systemic corrective measures implemented.

PI-21 Effectiveness of Internal Audit

Overall score (Scoring Method 1): D+➚

The Audit Committees and the Audit Commission have been set-up by Cabinet Directive in 2005 and enacted by amendment of the FAA Act in 2009. In 2009 legislation was passed for the Audit Commission to be a Statutory Body. The Commission was however inactive during 2009-2010 due to uncertainties relating to the Commission's operation as a body corporate, its staff and funding structure. The Act is still silent on the adequacy of the management response and actual taking of corrective measures. The 2011 FAA regulations now clearly stipulate that internal audit units report administratively to the Accounting Officer, and functionally to the Audit Committee, reinforcing their independence. In addition, work is ongoing to ensure that management response and corrective measures are adequate, and that the regulations governing the internal controls and the internal audit functions are improved so as to allow a more adequate segregation of duties within the internal control process. This work involves the Public Accountability Inspectorate Division.

In addition to the internal audit system, that acts as a management support to improve quality of financial management and robustness of internal controls, the Public Accountability Inspectorate has the role to follow up on audits and investigate issues (from audits and from received information), and reports on divisional performance. It was established by circular and is not backed by a legal instrument.

The responsibilities and work of the Internal Audit Department (IAD) include:

- Develop manual to be used by the IAs;
- Review the audit plans developed by the individual internal audit units and their Committees and provide feedback. IAD can also suggested specific areas for audit;
- Training and staff development (mentoring and coaching);
- Review audit reports to ensure adherence to standard and provide feedback;
- Intervene with AO, Audit Committees and Audit Commissions if need arises. Continuing issue is the timeliness of formal management responses and implementation of audit recommendations;
- Facilitate recruitment (participate in selection process);
- Develop capacity with the Management Institute for National Development (MIND).

The Internal Audit Directorate has developed, with the help of other institutions, a training programme that will include in the future IT and procurement audit modules.

(i) Coverage and quality of the internal audit function

Score C➚: The Internal Audit Function has been reformed in 2009 and the Internal Audit Directorate has provided training and sensitization programmes to ensure adherence to IIA standards will be attained. The work of internal audit units, Committees and Commission is aimed at systemic issues although limitations prevail due to staffing and budgetary constraints, thus with current capacity not allowing to ensure that IIA standards are fully met. The focus on systemic issues has increased although it is not possible to verify it represents more than 50% of activities as the reporting appears to aim more at tackling compliance with documentation and other basic financial issues than system-wide recommendations.

Usually, the internal audit units prepare their work plans and share them with the Internal Audit Directorate. The audit planning comprises a risk assessment as prescribed under the internal audit manual. The IADs prepare monthly reports that are distributed to the Public Expenditure Division, as the division responsible of managing budget execution and cash allocation to the spending units and to the Ministerial Audit Committees. The Auditor General's Department is also using the internal audit reports as a source to its annual audit planning and system analysis, although it does not receive automatically the internal audit units' and committees' reports, but obtains them on request.

An internal audit manual has been elaborated to provide detailed guidance to the internal audit units to plan their activities, to assess and analyse risks, to elaborate their work plans and perform their audit. Special audit techniques such a Computer Assisted Audit

Techniques and Value-for-Money are also explained in the manual. The standards are in keeping with that of the Institute of Internal Audit. Although Internal Audit Directorate has entered into agreement with the Institute of Internal Audit to adhere to international standards and has initiated a training and improvement programme, the Internal Audit Directorate has reported that the IT system audits are limited due to low technical capacity. The greater scope remains on compliance audits, although the intent and reports clearly address systemic issues. While the Internal Audit covers all functions of central government, operations are restricted by budgetary constraints and units are unable to effectively fulfil their responsibilities.

There are concerns about staff capacity which the Internal Audit Directorate is addressing through a training programme (190 junior and senior auditors were trained in 2011) which also requires support staff to take professional-level courses. The Internal Audit Directorate has also been working with the Office of Services Commission to raise the entry level requirements for Internal Audit—although this would translate in 90% of internal auditors having an accounting or business degree, the Internal Audit Directorate has recently informed that the overall calibre of applicants for posts has fallen, perhaps due to salary constraints.

The Internal Audit Directorate has developed a Quality Assurance and Improvement Programme mechanism for internal audit, a significant step forward from 2007 when each internal audit unit was only reviewed once a year during one-day visits.

(ii) Frequency and distribution of reports

Score A: The issuing of internal audit reports adheres to a fixed schedule, and reports are then distributed to all concerned entities, including the audited entity. The Auditor General has access to those reports and uses them for her planning, although she does not receive them automatically.

Internal audit units report monthly to the Accounting Officers and the Ministerial Audit Committees, and quarterly to the Ministry of Finance and Planning, including Internal Audit Directorate, Public Expenditure Policy Coordination, Public Expenditure Division, and Public Accountability Inspectorates. The Audit Committees report annually to the Audit Commission. Line management is required by law to respond within two weeks to the audits. Even though this arrangement is well in place, the extent of follow up addressing systemically the weaknesses is not evidenced. In the case of the Ministry of Education, by recommendation of the Parliament's Public Administration and Appropriations Committee, the Accounting Officer set up a special Post Audit Unit task force ensuring follow-up. Its effectiveness is yet to be tested.

(iii) Extent of management response to internal audit function

Score D: Line management response is usually made although it still provides little evidence of systematic and systemic follow-up. The Audit Committees do not keep track, at least no evidence in this regard was provided, of their recommendations formulated, actions taken, responsible division and time-bound. The Audit Committees do not adequately keep track of the Auditor General and Contractor General recommendations either according to evidence provided. There is no requirement from the FAA Act and regulations imposing Accounting Officers to undertake the necessary corrective measures within a time-bound framework.

Although the internal audit system exists and a formal management response is usually done, it remains as a response with little evidence of systematic and systemic follow-up. The Ministerial Audit Committees do not follow up, at least no evidence was provided, on their recommendations formulated, actions taken, responsible division and time-bound. There is no evidence suggesting the Audit Committees are following up on the Auditor General's and Contractor General's recommendations either.

There is no specific requirement in the FAA Act and its regulations that impose Accounting Officers to take corrective measures within a time-bound framework. The quasi absence of severe administrative sanctions for non-compliance to rules and annual publishing on infractors and level of sentencing issued, including when recommendations and queries are made by the Auditor General's Department and the Public Accounts Committee, raises serious questions as to the effectiveness of the overall control system. The creation of an independent Audit Commission was an attempt to ensure that corrective measures are duly implemented, following treatment of internal audit reports by the Audit Committees and recommendations to the Accounting Officers, but there is no obligation for Accounting Officers to take corrective measures, beyond making a formal response to the audit findings.

The effectiveness of the internal audit function is also severely hampered by financial constraints leading to human resources and capacity development constraints as reported by the Internal Audit Directorate. This was confirmed by the Ministries visited: as stated in 2007, in clear terms, this means that the scope, depth and effectiveness of the internal audit function are limited, failing to ensure that corrective measures are taken and provide the necessary relay to the Auditor General and Contractor General.

Progress made and change explanation: The Internal Audit Directorate has developed programmes that aim to improve quality and build the necessary capacity, integrating therefore a mechanism for continuous improvements. As such, it is capable of linking to other functions reforms to ensure that internal audit remains up-to-date with rule, regulations and standards. There are no changes to the overall score. The arrow demonstrates that recent reforms to the regulatory framework and improvement mechanism have yet to have a marked impact on the quality of the internal audit work. Still, the effectiveness of the internal audit function continued to be impaired by the lack of follow up and little action taken by most audited entities, as represented by the D score.

PI-22 Timeliness and Regularity of Accounts Reconciliation

Overall score (Scoring Method 2): C

(i) Regularity of bank reconciliations

Score C: Reconciliation is undertaken by MDAs on a monthly basis, with most MDAs submitting bank account reconciliation statements within two months from end of month, and yet, an aggregate level of bank reconciliation of Government is still lacking. Also, there are a large number of bank accounts held by central and commercial banks outside the direct monitoring of Treasury Management and the risk of material differences being unexplained remains a concern.

The Auditor General's Department continued to report on several unexplained differences in bank account reconciliation statements by internationally funded projects and MDAs. The latter include salaries' bank accounts from the Ministry of Finance and its associated agencies, as well as others such as those detected from the review of the Treasury Deposits of the Current Assets and Liabilities of the Consolidated Fund, administered by the Accountant General's Department, the Tax Administration Jamaica, the Ministry of Foreign Affairs and Foreign Trade and several other MDAs and AGAs. Un-reconciled adjustments amounting to J$6.9million were identified on the Treasury Deposit bank reconciliation statement.

The above conditions undermine the control process and could conceal errors and irregularities. Usually, line management is asked to bring the reconciliation up to date in the shortest possible time.

Presently, the Treasury management system does not yet have a module to perform consolidated bank reconciliations automatically and on a daily basis. In the absence of an integrated report of all bank account reconciliations or of an integrated financial management information system that can issue this information regularly, it is not clear how to determine the magnitude of the uncleared differences at the end of every year.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Score C: Reconciliation and clearance of suspense accounts and employee advances is being performed by MDAs and takes place annually, within two months of end of year. The result of this arrangement, however, is that a significant number of accounts remain with uncleared balances, as noted repeatedly by the AUGD annual audit reports. Specific internal controls and administrative procedures for executing the terms of advances and other similar accounts are still lacking. The MOFP plays no role in ensuring proper verification and compliance of terms of sanction and other contractual conditions.

The Financial Administration and Audit Act, instructions 5.39(3) and 5.42, stipulate that advances made from public funds for travelling and subsistence expenses should be accounted for immediately on return. Good financial practices should ensure the prompt recovery or clearing of advances made for goods and services, on delivery of the goods for the satisfactory completion of such services. Additionally, salaries paid in advance to officers proceeding on vacation leave should be recovered on the first pay day following the salary-in-advance disbursement.

Failure to account for advances within the stipulated time frame will misrepresent actual expenditure for that period and create uncertainty as to whether funds were used for the intended purposes. The audits identified outstanding advances totalling J$574M. The AUGD had found that there was no evidence that the reporting Ministry was pursuing the clearing of outstanding advances of approximately $574M as at March 2010, which included balances carried forward from financial year 1997/1998. Management was advised to investigate the balances with a view to clear them from the accounts as they will understate expenditure.

Uncleared balances were detected in other suspense accounts, most noticeably those under the Consolidated Fund. The following was disclosed, as part of the review of Treasury Deposits and related accounts, as reported in the audit report for FY 2010/11:

- Un-reconciled adjustments amounting to J$6.9 million were identified on the Treasury Deposit bank reconciliation statement. The AGD wrote to the Financial Secretary on December 1, 2011 requesting that the amount be written-off;

- Advances made from deposits were not cleared within a year as required by the Law. Assessors noted 12 accounts with outstanding balances amounting to J$401.8 million, some dating from the early 2000's;

- Four accounts had credit balances totalling J$63.9 million;

- Advance, liabilities and investment accounts were understated by J$21 million, J$207.2 million and J$10.4 million, respectively;

- Sixteen deposit accounts (liabilities) were noted with debit balances of J$548.9 million. Management indicated to have written to the depositors requesting recovery of the amounts;

- Internal control weaknesses were identified in the maintenance of ledger cards for the Trust and Deposits accounts; and

- A suspense account balance of $490.7 million was included on the Balance Sheet for Statement A as at March 2010.

Other uncleared account balances include advances amounting to J$10million carried forward since 2002 from the Contingencies Fund to the Ministry of Health.

MOFP is not required to monitor the building of outstanding advances by MDAs within the year, as part of a cash management function, nor does it ensure the proper verification and compliance of terms of sanction, disbursement, reimbursement, documentation etc. Hence, there is no such monthly or quarterly report that could provide a consolidated figure of outstanding balances and other information pertaining to unexplained differences/balances, and that could ensure that suspense accounts and sundry assets are properly liquidated, permit that old entries are scrutinized and report on inadequacies in liquidating such entries, among others.

Progress made: In 2007, the indicator received an overall score of D+, in 2012 this improved to C. The overall score improved as now both the bank account reconciliation statements and the reconciliation and clearance of suspense accounts and advances take place in a timely manner. Concerns remain as significant cash resources continue to seat across various bank accounts, with MDAs being unable to recover large balances outstanding for many years in the form of advances and other similar accounts. No serious actions have been undertaken to address these issues hampering cash management and cash programming until recently, when the Government realized the urgent need to resolve this matter in a systemic manner and prioritized the Central Treasury Management System (CTMS) as a major national effort to PFM reform.

Recent developments: CTMS is at a nascent stage and while dormant bank accounts are to be closed it is still the responsibility of Accounting Officers to clear unreconciled items in several bank accounts. Unfortunately, this mission delegated to AOs has not been complied with fully. This corroborates the need of the MOFP, as the main central entity responsible for the custody and monitoring of public resources, to become more active and control the available cash resources in a more meaningful manner.

PI-23 Availability of Information on Resources Received by Service Delivery Units

Score D: There are no meaningful surveys or other major reviews, inspections, or audits reporting by district offices undertaken over the past three years, showing the amount and quality of inputs requested, received and used for the adequate provision of primary services in public education, health and other major national programmes. There has only been the Economic and Social Survey of Jamaica (ESSJ) that lays the basis of the various sector strategy plans and provides certain general indications of the primary services provided by Government.

No comprehensive data have been collected (through public expenditure reviews, public expenditure tracking surveys, inspections, or other means) to assess the timeliness or adequacy of payments and/or supplying of goods and services to front-line service delivery units. Information on amounts of resources reaching the primary service units of public education or other major sector has not been collected for one or more years during the past three fiscal years.

Only the Economic and Social Survey of Jamaica (ESSJ) was performed since 1957 for assessing the performance and prospects, inter alia, in education and health sectors. This has served as the baseline for benchmarking the medium term development goals through sector strategy plans. Whilst useful in providing general descriptive information of key programmes and projects, the ESSJ does not attempt to report on the recurrent and capital transfers from Government and other official and private sources and the specific uses of key public resources across the priority districts in the country, as stipulated in the initial budgets approved for major programmes and projects/activities, among others.

Progress made: The indicator was rated C in 2007 when a World Bank-led PER was undertaken to assess the quality of public expenditure in key social services and other sectors. In the past three years, however, no other major review or comprehensive survey or other similar reporting for the public on resources received by front line service delivery units assessing any institutional deficiencies hampering adequate service provision was performed. As a result, the score to this indicator has been lowered to D.

PI-24 Quality and Timeliness of In-Year Budget Reports

Overall score (Scoring Method 1) C+➚

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Score C: Comparison between budget estimates and actual out-turns is possible in aggregate and by economic categories for various MDAs. The information, however, is captured at the payment stage only and, thus, is on a cash basis. Commitment data are not recorded in FINMAN, apart from the schedule of debt service payments. Hence, the problem lies on the fact that comparison to budget cannot be merged for all MDAs at once in one consolidated report produced by FINMAN which MOFP can use for cash management and budget monitoring purposes.

According to the PEFA criteria, no rating higher than C is possible unless expenditure is covered at both commitment and payment stages. In Jamaica the AGD through FINMAN captures most expenditure only when invoices are presented for payment. A monthly AG-based budget execution document is available through FINMAN, which shows the year-to-date and monthly performance of tax and non-tax revenue collections as well as current and capital expenditure of the central government. .

Recurrent expenditures are divided into personal emoluments, pensions, purchases of goods and services, domestic and foreign interest payments, and itemized transfers to public institutions. The monthly report also shows capital expenditures funded by domestic and foreign sources, although the data on capital expenditures funded with external loans is incomplete. However, this has not had a major effect in the overall report since these expenditures have been, as noted in PI-7, relatively small as well as falling short of the original Estimates for them. The report, however, does not have the capability of reporting revenue and expenditure out-turns on a monthly basis by administrative classification. MDAs have the capability to issue their monthly budget reports, but AGD or other MOFP units still fail to produce whole of Government budget reports by administrative headings.

(ii) Timeliness of the issue of reports

Score C: Flash budget reports are prepared monthly and, on average, are submitted eight weeks after the close of each month, however there is a substantial number of MDAs (approximately a third) that submitted their reports well after eight weeks.

(iii) Quality of information

Score B: There are some concerns about accuracy and consistency of financial data which does not compromise the overall usefulness amongst various fiscal reports. The problem lies on the extent of usefulness of flash reports for MDAs and ultimately their ability to reconcile monthly financial transactions with bank statements, and other Government accounts for cash management and other financial monitoring purposes.

The reports generated through FINMAN comprise most of the information required for reconciling any differences and performing a complete fiscal analysis on a timely basis. In general, the computerized facility has proved reliable, but there are delays before full information is available about investment financed through certain external loans and grants, and about non-tax revenues in the Ministry of Health identified by the assessors and others in certain MDAs identified by AUGD.

Because flash reports are issued by MDAs before reconciliation of Government accounts with the corresponding bank transactions, by their nature they cannot provide a full picture, but mostly serve as a timely indication of payments and the status of overall budget execution. The usefulness of the monthly reports and the quality of information is still uncertain until the MDAs themselves and ultimately MOFP verify the accuracy of the information through reconciliation in various economic categories while MOFP through IT collects data from different sources on bank accounts, grants, non-tax revenues, domestic and external financing, and suspense and advance accounts, among others.

Progress made and recent developments: Compared with 2007, overall performance remains at a C+ level. Problems prevail with FINMAN failing to consolidate budget reports by administrative and economic categories for monitoring and internal control purposes as well as Government accounting failing to adopt standardized formats in budget reports in conformity with best international practice. Nevertheless, an arrow was granted to the overall score in merit of recent positive developments.

The recent introduction of CTMS, the intent of a possible IFMS starting FY 2012/13 and the Government's commitment of liquidating and consolidating numerous bank accounts for various unnecessary segregated financial purposes, however, provide the opportunity for resolving any remaining financial recording and reporting issues, inconsistencies and delays.

PI-25 Quality and Timeliness of Annual Financial Statements

Overall score (Scoring Method 1) D+

(i) Completeness of financial statements

Score D: Only budget estimates on revenue and expenditure are prepared annually for the Government; FINMAN is not designed so as to provide consolidated financial statements and Government accounts annually, nor is the Government accounting system integrating the various ledgers and processes that could otherwise enable a centralized control of key accounts and monitoring of the fiscal position in a more accurate and timely manner. At present, MDAs submit various pieces of information in some form of financial statements conforming to basic coverage and other standardized formats, according to AUGD.

The financial statements of the Government covering all central government entities are still lacking. Only MDAs separately as well as AGAs and LGAs produce annual financial statements. They include financial operations and some accrual elements of ministries and other administrative units processed through the AG. The expenditure on donor-funded projects is in principle included and so are operating activities (i.e., receipts, payments, operating losses). These elements and experience built thus far form a good foundation for migrating to Cash IPSAS.

(ii) Timeliness of submission of the financial statements

Score C: For the most part, the financial statements of MDAs have been submitted to AUGD for external audit within 10 months of the end of the fiscal year for the past three fiscal years. Some MDAs take more than 12 months to submit their financial statements.

The FAA requires MDAs to submit to AUGD the annual statements of sources and uses of public resources (revenue and expenditure out-turns) and the changes in financial assets and liabilities within four months of the end of the financial year. FAA does not require annual submission of consolidated financial statements for the central government.

(iii) Accounting standards used

Score C: The financial statements of MDAs are presented in a consistent format, but the national standards used in a variety of systemic issues are not explained nor are certain accounts addressed properly by MDAs in the 2009/10, 20010/11 or 2011/12 financial statements.

Financial statements are presented in a consistent format but not all of the national standards used are compatible with the definitions and nomenclature set forth in the

International Public Sector Accounting Standards (IPSAS). The AUGD has urged AGD to describe all the national standards used in the annual financial statement. For example, the financial statements do not provide specific information about the basis for calculating the change in the value of net assets from one year to the next.

Progress made: The conversion of the annual financial statements to meet the international cash-basis IPSAS standard is a major outstanding issue in the agenda of PFM reform. This dimension was rated C in 2007, but it is not known whether this was justified. Overall, a D+ rating has been maintained.

Recent developments: The Government has chosen to support a reform process aimed towards migrating to Cash IPSAS in the first place, then institute a commitment-based budget accounting system to then fully adopt the accrual accounting standard in the long term. Various building blocks are being conditioned as part of the former process, most of which being subsidiary ledgers operating in a standalone manner and others in the process of integrating, and yet, it is desirable that the GOJ conveys a Government accounting model that is suitable to the Jamaican needs for better governance and fiscal transparency.

The decision of the Government to move towards the developing of an integrated financial management system (IFMS)/General Ledger is a step to the right direction. This will enable the processes of managing the available public resources and decision making by financial managers being supported by adequate financial recording and reporting systems. One first step would be to conduct a gap analysis and draft a roadmap and guiding document with the technical and technological requirements leading to the adoption of the Cash IPSAS standards and the gradual reform of the Government accounting system. It is desirable that the latter effort aims at integrating a commitment-based budget accounting module to the treasury accounting system and the financial accounting system in a piecemeal and piloting basis.

PI-26 Scope, Nature and Follow-up of External Audit

Overall score (Scoring Method 1) NS

The Auditor General's Department (AUGD) is independent by law from the Executive. Its statute is provided for by the Constitution, and is further detailed in the Financial Management and Audit Act. The AUGD enjoys the same independence in the discharge of duties, jurisdictional and operational, however, by the standards set by INTOSAI, the Auditor General and her Department's independence are impaired significantly with regards to financial and human resources. Financially, the AUGD's budget is set by negotiation with the Ministry of Finance and Planning, on the basis of a proposal by the AUGD. This situation already reported in 2007 has improved in practice in 2012/2013, as the MOFP did not cut the proposed budget by department, but the framework remains inadequate. Further, appropriation-in-aid by way of charges to the entities audited has contributed to provide funding for training and IT equipment, two areas where it was necessary to improve the quality of AUGD reports.

The Auditor General is appointed by the Governor-General without the approval of the Parliament. The selection is done on the basis of an advertisement managed by the Public Service Commission, and its proposed candidates to the Governor-General. The Governor-General has to seek agreement with the Prime Minister regarding the appointment. The Parliament (leaders of the House) is only informed for courtesy. Procedures for dismissal are however clearly specified in the Constitution and Financial Accountability and Audit Act and protect the Auditor General. No term limit exists, the retirement age (or impairment of the AUGD's ability or independence) being the limit.

With regards to the selection and management of staff, since April 2012, the AUGD enjoys delegation of core human resource responsibilities from the Public Services Commission, but it does not have the authority to act independently for the financial management group (audit series). Whereas partial selection, management, and disciplinary measures have been delegated to the AUGD, the department remains constrained by the overall Government policy on wage bill of the central government (see PI-18), and the staff schedules as set by the OSC. This is in contrast to the Office of the Contractor General (OCG) that enjoys, by law, a further reaching independence of directly charging its budget to the Consolidated Fund and setting selection and schedules for OCG staff (a standard set by INTOSAI). The current practice deviates from the law, and the Office of the Contractor General responds to the same staffing and budget constraints, through MOFP approval, as the Auditor General.

The AUGD has independence over its audit planning procedures and has reportedly refused requests from ministries and Parliament on account of insufficient resources. Its independence is nonetheless impaired by its limited staff and budget resources.

(i) Scope/nature of audit performed

Score A: All central government entities are audited annually and a sample of agencies and public bodies (risk based). A full range of audit is now performed, including certification, compliance (risk based), performance, IT and special audits. The audit planning and the engagements follow procedures and templates developed in keeping with the INTOSAI standards. The work is thus done more systemically than previously.

A full range of audit is now performed, including certification of financial statements, compliance (risk based), performance (started since 2009/10), IT and special audits including nascent fiscal policy papers and debt audits. The audit planning and the engagements follow procedures and templates developed in keeping with the INTOSAI standards. The work is thus made more systemic and provides better information for management and internal audit unit and committees to address systemic issues (recurrent ones picked in the Annual Report).

In planning its audit work, the AUGD is coordinating with the Internal Audit Unit of the Ministry of Finance and Planning, ensuring that it uses MOFP's report adequately for risk assessment, and coordinating for selecting focus. In addition, the Contractor General reports are published, along with the Quarterly Contract Awards and National Contract Commission's endorsements, providing a large basis of information. Should the Contractor

General detect any issues in the conduct of his investigations that do not fall under his purview, he has the right and obligation to refer them to the Auditor General (or any other relevant institution). Given that the Contractor General is a Commission of Parliament that enjoys the same independence as required by INTOSAI, and carries a similar function in terms of scrutiny, reporting for oversight and publication, issuance of recommendations for recommended remedial actions, and referrals, its work is a direct contribution to the oversight and scrutiny of GOJ's public finance management.

(ii) Timeliness of submission of audit reports to legislature

Score NS: Although improvement in complying with the timely submission of financial statements by MDAs supporting the Auditor General annual certifications has been evidenced, delays are still significant with a backlog to clear. The Auditor General tables, by law, her Annual Audit Report in December of the fiscal year ending 31st March. As the assessors were not able to gather useable statistics on the submissions of Departments' Appropriation Accounts and certifications by Auditor General, for the period of FY 2009/2010 to FY 2011/2012, NS has been applied.

The financial statements have to be submitted to the Auditor General by 31st July of the financial year ending 31st March. The audited financial statements have to be submitted to the Parliament by 31st December of the financial year ending 31st March. Therefore any delays in the submission of the statements hinder both the Auditor General's ability to deliver her audit opinion on time and the Parliament's ability to perform their scrutiny. The Auditor General tables her Annual Report to the Parliament in December every year by law (this implies a lower rating using the PEFA framework, although it is not a failure to adhere to the law).

The table below shows a breakdown of the submissions to the Auditor General and certification of annual financial statements by the Auditor General for parishes, implying significant delays.

Table 40: Annual Financial Statements by Parishes to and Certifications by Auditor General, FY 2009/2010 and FY 2010/2011

Requirement	**Delay in months**	**FY 2009/10**	**FY 2010/11**
Submission (counting from 31st July of calendar year)	Within 3 months	0	1
	Within 6 months	1	0
	Within 12 months	4	4
	>12 months or not submitted	9	9
Certification (counting from date of submission)	within 4 months	0	0
	within 8 months	1	0
	within 12 months	0	0
	>12 months or not certified	13	14

Source: Auditor General's Department.

Although efforts have been made by the Ministry of Local Government to ensure timely submission of the parishes' financial statements, delays are still significant and hamper the timeliness of the certification of the accounts. No parish financial statement was audited within 4 months of its receipts by the Auditor General Department. Clearly, given the delays in submission, from the due date on 31st July of the current year, the AUGD gives priority to the line ministries whose submission allow adhering to its audit plan. Delays add to backlog of audit.

Table 41: Sixteen Accountant General's Financial Statements Submissions to and Certification by Auditor General, FY 2009/2010 to FY 2011/2012

Requirement	Delay in months	FY 2009/10	FY 2010/11	FY 2011/12
Submission (counting from 31st July of calendar year)	Within 3 months	4	1	12
	Within 6 months	1	0	0
	Within 12 months	2	3	0
	>12 months or not submitted	9	12	4
Certification (counting from date of submission)	within 4 months	1	0	0
	within 8 months	0	0	0
	within 12 months	0	0	0
	>12 months or not certified	15	16	16

Source: Auditor General's Department.

The submission of the Accountant General's Financial Statements has experienced significant delays in FY 2009/10 and FY 2011/10. This has been much improved in FY 2011/12.

The assessors were not able to gather useable statistics on the submissions by 98 Ministries and Departments' Appropriation Accounts (including Recurrent, Capital A and Capital B expenditures) to and Certifications by Auditor General, for the period of FY 2009/2010 to FY 2011/2012. However, the Auditor General has revealed significant delays in submission thus affecting certification, particularly in FY 2009/10. It appears that submission is improving starting FY 2010/11, but evidence was not readily available to support the improvement.

With regards to authorities and agencies, over 39 entities have accumulated 66 years of financial statements submission that are in arrears, with the bulk dating from FY 2008/09 to date, but with some dating as far back as FY 2001/02.

(iii) Evidence of follow up on audit recommendations

Score C: Although there is evidence of following up on recommendations by the Auditor General's Department, leading to some corrective measures, these are limited to compliance issues that are repeatedly found and reported. There is no systemic approach followed by the MOFP and AUGD to address the issues with a view to terminate their occurrence. Progress has been made but has not yet impacted on the effectiveness of the function.

The Auditor General's function performance is affected by the delays in the submission of the financial statements, hence limiting the level of information available to the Parliament on the financial management and execution of the previous fiscal year. Further, AUGD's effectiveness is limited by way of financial and human resources constraints. Although it has developed clear guidelines for its staff for preparing audit engagement and risk based planning making its work more systemic and has advanced significantly on performance and IT audits, the impact of its work remains limited for lack of follow up on recommendations, surcharge and penalties. Each audit leads to a management letter issued to the CEO of the entity audited and a response is received. Follow up has been evidenced (with records keeping in place since 2012) with regard to financial and compliance issues, but the MOFP and the Accounting Officers and CEOs have failed to take a systemic approach that is required to address the repeated breach of compliance and other weaknesses revealed in the Auditor General's Annual Report[35]. This is echoed throughout the entire public finance management system: payment arrears, tax waivers, commitment control, procurement and payroll. This situation is compounded by constraints to the internal audit function (see PI-21) that were not supported by functional and competent internal audit committees in the ministries, agencies and public bodies until 2012.

In its annual report, the Contractor General, whose office performs external oversight function on all public procurement and provides a means to take corrective measures on its findings, reports that remedial referrals and recommendations made to the Executive (and the Judiciary) are for the most part ignored. The Annual Report36 2010 states that (Page 1):

"As has been the case in previous years, the OCG, while striving to secure probity, transparency, competition and accountability in public contracting in Jamaica, has had to contend with several challenges. In 2010, these challenges included, but were not limited to, at least one (1) overt threat that was made against the life of a senior member of its staff; misguided and very worrying challenges which emanated from the Administration and others which sought to impose unwarranted jurisdictional boundaries upon the OCG's exercise of its lawful mandates; uninformed positions that were posited which were directed at undermining the integrity of the OCG and the validity of its considered and published positions; and, not surprisingly, and for another year, the recurring decimal of the innumerable remedial Referrals and Recommendations that were made by the OCG to

[35] It is worth noting that the AUGD FY 2011/12 Report on the Jamaica Development Infrastructure Programme led to the resignation of the then Minister of Works.

[36] The Contractor General's report can be accessed on: http://www.ocg.gov.jm/website_files/annual_reports/annual_report_2010.pdf

certain State authorities, inclusive of the Executive and the Legislative arms of the State, which were, for the most part, ignored."

It further adds, page 188: "The OCG, in the conduct of its Investigations, is concerned with what appears to be a consistent pattern with issues which are related to the following:

- Conflicts of Interest;
- Breaches of duty on the part of Accounting and Accountable Officers;
- Breaches of Duty on the part of Boards of Directors;
- A seeming disregard for the applicable laws and/or regulations, such as the Public Bodies Management and Accountability Act, the Financial Administration and Audit Act, the Contractor General Act and the Corruption Prevention Act;
- Challenges to the OCG's Statutory Authority and Credibility.

In Investigation after Investigation, whilst the fact circumstances and/or allegations may change, the same types of failures and/or breakdowns in compliance levels, probity, accountability and transparency in Government contracting are too often evident". The report goes on establishing a summary list of 11 key findings, detailed out[37].

The level of sanction applicable is limited, with a maximum fine of J$1000 (US$12) for breach of procurement rules (or a maximum of 3 months jail sentence where prosecution is pursued by the Director of Public Prosecution). As reported in speech posted on the OCG website in 2011, of 40 referrals made in a Special Report laid before a Joint Select Committee of the Parliament, no prosecution has resulted from. The Auditor General recommends surcharges that are not always applied by the Ministry of Finance and Planning (although the AUGD follows their application and actual payments to the Consolidated Fund and reports on it in its Annual Report). This overall state of governance, beyond systems, weakens significantly the control environment in which public finance management and its actors operate, and contributes to a perception by the public and private sector agents that, although these systems operate, there is no systematic determination to address breaches, ensuring that alternatives to compliance can be found at low risks. It does not ensure that the Fiscal Responsibility Framework is supported by robust and effective internal controls, such as the congruence of budget preparation, procurement plans and cash flow projections for issuance of warrants and commitment controls.

Progress made and change explanation: The Public Sector Transformation Unit (PSTU) has proposed that this Department be granted a delegation from the Office of the Services Commission. This means that the Department will have more autonomy over the use of its human resources. This is part of the ongoing delegation of Office of the Services Commission since 2006. The challenges and the risks highlighted above, namely, the

[37] idem

independence of AUGD in practice, should be eased. This will enable the AUGD status to be closer to the Lima Declaration of Guidelines on Auditing Precepts for Supreme Audit Institutions and other pronouncements by INTOSAI.

The AUGD has undertaken a SWOT analysis and developed a strategic plan to revamp its department and improve its capacity to deliver quality and timely audits, and follow up on its recommendations and those of the PAC. The new plan will be submitted to the Office of the Cabinet (Corporate Management Division). The new structure should include a Quality Control Unit to formalize what is being done today on an informal basis and will allow a clear learning mechanism for the organization. Indeed the AUGD explanations on planning of audit engagements reveal that, while AUGD informs the team profile and engagement duration, mechanisms for managing the engagement are in place and will provide information on how to improve risk assessment and team profiling. In a bid to focus further on systemic issues, the AUGD has also initiated outsourcing of Certification of Financial Statements. This test has revealed the necessary supervision of adherence to standards, quality and contract management. The AUGD strategy concerning the use of IT and training is geared towards improving the quality of its audit.

The internal audit committees have been re-established in March 2012, following the nomination of new boards and CEO, after the general elections. There is a renewed emphasis as to their effectiveness. In addition the AUGD has held a meeting with the PAC in a bid to sensitize it to the need to revamp the sanction system to make it a deterrent to non-compliance and mismanagement.

The independence of AUGD and OCG remains limited in practice while their effectiveness is hampered by an absence of a systemic approach to address its findings by the MOFP. Both the Auditor General and the Contractor General reports evidence wide spread breaches, limited application of sanctions and absence of a systemic follow-up.

PI-27 Legislative Scrutiny of the Annual Budget Law

Overall score (Scoring method 1): D+

(i) Scope of the legislature's scrutiny

Score A: The legislature reviews fiscal policies for a period of three years on the basis of the macroeconomic framework, the fiscal responsibility statement of the Government and how its policies and measures will permit attaining the fiscal responsibility targets, the Debt Management Strategy, the impact of tax expenditure and the estimates of revenues and expenditures.

The Constitution of 1962 establishes two chambers: the House of Representatives and the Senate. The Minister of Finance has to be a member of the House. The Standing Orders, 1964, define the functioning of the House and of the Senate.

Although budget briefings were introduced as reported in 2007 as an exercise to inform the Parliament on the budget preparation one month prior to the tabling of the annual budget, it appears that this has been disrupted. With the amendment to the FAA Act of 2009 to introduce the Fiscal Responsibility Framework, the Minister of Finance has to present before the Parliament as Fiscal Policy Paper covering the macro-economic framework, a fiscal responsibility statement and a fiscal management strategy that present inter alia the fiscal policy of the Government, and fiscal measures taken and how these ensure adherence to the fiscal responsibility targets. The Minister's Fiscal Policy has to provide an overview of at least three years, including the current year. The Auditor General audits it and presents its conclusions to the Parliament during the budget process. This report is focusing on whether the conventions used in the fiscal policy paper conform to prudent fiscal management and the fiscal responsibility framework. The Minister should table a review of the performance with regard to the responsibility framework and an analysis of the tax expenditures (including tax waivers) twice a year. Currently, all budget documents are submitted between late and early April (see Table 42).

Table 42: Date of Submission of Budgetary Documentation to the Parliament and of debate/approval

Fiscal Year	Name of Documents Tabled	Date of Tabling in the House of Representatives	Date of Tabling to the Senate	Period of Budget Debate	Date of Approval
2009/2010	Estimates of Expenditure for the Year ending March 31, 2010	April 7, 2009	May 8, 2009	April 23, 2009- May 6, 2009	May 6, 2009
	Jamaica Public Bodies Estimates of Revenues and Expenditure for the Year ending March 2010	April 23, 2009	May 8, 2009		
	Debt Management Strategy for the Financial Year 2009/2010	April 23, 2009	May 8, 2009		
	Jamaica Memorandum on the Budget 2009/2010	April 23, 2009	May 8, 2009		
	The Financial Statements and Revenue Estimates 2009/2010 for the year ending March 31, 2010	April 23, 2009	May 8, 2009		
2010/2011	Estimates of Expenditure for the Year ending March 31, 2011	March 25, 2010	March 26, 2010	April 8, 2010-April 21, 2010	April 21, 2010
	Jamaica Public Bodies Estimates of Revenues and Expenditure for the Year ending March 31, 2011	March 25, 2010	March 26, 2010		
	Debt Management Strategy for the Financial Year 2010/2011	April 8, 2010	April 16, 2010		

Fiscal Year	Name of Documents Tabled	Date of Tabling in the House of Representatives	Date of Tabling to the Senate	Period of Budget Debate	Date of Approval
	Jamaica Memorandum on the Budget 2010/2011	April 8, 2010	April 16, 2010		
	The Financial Statements and Revenue Estimates 2010/2011 for the year ending March 31, 2011	April 8, 2010	April 16, 2010		
2011/2012	Estimates of Expenditure for the Year ending March 31, 2012	April 14, 2011	May 13, 2011	April 14, 2011-May 11, 2011	May 11, 2011
	Jamaica Public Bodies Estimates of Revenues and Expenditure for the Year ending March 2012	April 14, 2011	May 13, 2011		
	Medium-Term Debt Management Strategy for the Financial Year 2011/2012-2013/2014	April 28, 2011	May 13, 2011		
	Jamaica Memorandum on the Budget 2011/2012	April 28, 2011	May 13, 2011		
	Fiscal Policy Paper for the Financial Year 2011/2012	April 28, 2011	May 13, 2011		

The Parliament is prorogued typically between mid-February and mid-March. The annual budget, by practice, is thus presented to the House between late March and early April, and tabled for the first session. This is traditional practice, although it is now recognized by the Members of Parliament that it does not allow a stepped cycle and sufficient time to debate the Fiscal Policy of the GOJ in light of its macro-economic projections, and then the budget formulation with regard to the Fiscal Responsibility Framework and policy intent. At the same time, the Members of Parliament met informed this review that neither the Parliament nor its Committees had the necessary technical support to undertake a thorough and meaningful review.

The Standing Finance Committee, a committee of the whole House by Standing Orders, reviews the budget (only estimates of expenditures) and may make recommendations to the House as for changes to the expenditure estimates. The House approves the report and debates the Appropriation Bill tabled. By convention the Senate approves, and the Appropriation Bill enters into the Appropriation Act. It is noteworthy that the estimates of revenue, dealing with the financing of the budget, are only tabled after the Standing Finance Committee and the House have debated the expenditures and the Minister of Finance opened up the budget debate. The Standing Finance Committee debates usually take up to 4 weeks, but delays due to change of Government have been experienced (see table above). The timing of the budget debate forces a decoupling of the two sides of the budget equation, i.e. revenue and expenditures, with a major emphasis on expenditures.

(ii) Extent to which the legislature's procedures are well-established and respected

Score A: The procedures are established in the Standing Order, and the practices of the House and the Senate are well enshrined. Although appearing positive it has reduced the scope of review.

The Standing Orders define the functioning of the House and the specialised committees such as the Standing Finance Committee, the Public Accounts Committee and the Public Administrations and Appropriations Committee. As described in the 2007 report, the process of budget review is vigorous, and involves Ministers as well as Permanent Secretaries and Chief Executive Officers to defend their budgets and to respond to queries by the Members. As pointed out by the Members of Parliament, in absence of a budget office providing analysis, this debate unfortunately revolves around constituency issues, with an overly focus on expenditures, and does little to improve the fiscal stance and policy intent of the GOJ. Although the House may make recommendations to change the budget, and does make changes to the budget headings on expenditures, it only a binary choice to make: accept or reject. The stakes of a rejection are considered too high, as it would be tantamount to a vote of no confidence of the Government.

The Civil Service Establishment Order is also tabled before the House every year. It should be noted that the Civil Service Establishment Order is not directly linked to the budget process. If this was to be done the parliamentary debate of the budget-constrained establishment could potentially increase oversight and control of the wage bill. The Ministry of Finance also presents to the House, concomitantly to the Budget, the estimates of the revenue and expenditures for the public bodies, which have to be approved since the amendment of the PBMA Act in 2010.

(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).

Score D: The budget documentation is presented to Parliament at the end of the current fiscal year and during the first month of the new fiscal year. The submission begins with the estimates of expenditure, then estimates of revenues and the fiscal policy paper, not allowing an informed debate at each stage of the budget debate or an integral debate with all transversal elements addressed at once. As the submission is usually after the start of the new fiscal year, there is a sense of a compulsory exercise on the part of the House. This directly impedes the role of the legislature, and the extent of its financial scrutiny, especially with regard to the new Fiscal Responsibility Framework that implied significant changes for the role of the legislature in reviewing the budget documentation (formulation – fiscal framework and measures- and preparation - estimates).

Importantly, the Constitution authorizes in its Section 117(3), by way of Resolution to Vote, the Minister of Finance to request the House to approve house-keeping expenditures for up to July. It is called 'Vote On Account Budget', on the strength of which the MOFP can issue warrants from the Consolidated Fund prior to the passage of the Appropriation Bill. The Constitution requires that this be done through a resolution presented to the House by the Minister of Finance before the close of the financial year.

It is during that period that all previous years' payment arrears arising from commitment over and above the budget and the warrants (different from the reported undischarged commitment arising from the difference between warrants and actual cash releases), are presented for payment. These arrears are not included in the budget preparation, in the costing, and represent an unreported operation (see PI-7), that reduces the budget being voted, and undermines the Fiscal Responsibility Framework, and the policy intent.

The Public Administration and Appropriations Committee and the Tax Committee are established in the Standing Orders, but they have been inactive for some years. In 2011/12, both have been vigorously re-activated. In particular the PAAC, whose role is to scrutinize the budget execution and report six-monthly to the House, is taking a more pro-active role. It intends to use monthly budget execution reports covering revenues, expenditures and debt, and report to the House on a quarterly basis. In addition, the PAAC will consider a half-yearly report on the performance of the economy to be tabled in November/December by the Minister of Finance, as required under the FRF. The PAAC will report to Parliament its view of spending priorities, borrowing needs and revenue needs within the context of the medium-term targets no later than by March 1 of each year.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

Score B: Clear rules are specified in the FAA Regulations. They are clear and adhered to by the Executive although the limits are not set by nature and extent of amendments. Administrative re-allocations are limited and require approval of the Financial Secretary. Virement rules appear to be usually respected.

The supplementary budget estimates rules have been made clear since the revision of the FAA Act and its regulations: virements within Heads may be authorized by the Financial Secretary, and virements across Heads require a Supplementary Budget, although the limits are not set by nature and extent of amendments. They are respected to the extent that known and reported changes will lead to supplementary estimates, but this process fails to integrate all commitments taken and subsequent payment arrears. These more stringent rules are driven by the Fiscal Responsibility Framework. In the last three years, several supplemental budgets have been passed, reaching up to three in 2011/2012, a result of the changes to the rules. This is a situation of concern that reveals that although the basis for macro-economic forecast is robust, changes of policy have had significant impacts.

Progress made and change explanation: Reform may be instilled by the re-activation of the Public Administration and Appropriations Committee. It seeks to use monthly reporting on the budget execution to report quarterly to the House and provoke a healthy debate on the direction of the execution. It seeks to re-establish as a matter of priority an in-house capacity to analyze the budget documents and allow the Committee to technically challenge the Government and provoke debate.

For sub dimension (iii), the downgrading is due to two factors: first the PEFA framework contains a constraint in scoring, biased by the dimension with the lowest score, and repeats the same benchmark for B and C; hence the PEFA 2007 allocated a B, the most favourable. Further, the PEFA 2007 had not identified the separate tabling and debate of estimates of expenditures and estimates of revenues. Second, the revision of the FAA Act with the broadened scope of the documentation, the complexity of the analysis to be performed and the timing of the submission that do not allow for a stepped process do not provide adequate time. As neither the B nor the C benchmark is adequate, D is the only adequate score. The scope of the scrutiny has improved as well as the clarity of rules for supplementary budget. All dimensions, except that of timing, are tallying with the highest benchmarks.

PI-28 Legislative Scrutiny of External Audit Reports

Overall score (Scoring method 1): C+

(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).

Score C: The Public Accounts Committee meets through the year and reviews and debates the Auditor General's Annual Report. It calls to account the AOs and reports to the House before the end of the year, that is, the year after the Auditor General's report was submitted.

The House committees are regulated by the Standing Order (Standing Order 69). The Public Accounts Committee was created in 1945 and has since evolved, although retaining its key functions. It is constituted of eleven members, six from the opposition and five from the Government party and is chaired by the opposition spokesman on finance (the shadow finance minister). The Public Accounts Committee reviews the Auditor General's Annual Report and the audited financial statements when these are submitted to the House. The onus is on the Annual Report.

Given that the submission of the Auditor General's Annual Report is by law in December of the calendar year during the fiscal year ended, and given the calendar of the House, this implies that the report is reviewed, debated and PAC's report to the House presented around September/October of the following calendar year. This means that in practice two (fiscal) years elapse between the end of a fiscal year and the fiscal year during which corrective measures will be taken:

Table 43: Key steps and timeline of the Legislative Scrutiny of the Auditor General's Report

Steps	Calendar year	Fiscal Year
Period under Review: FY 1 ending 31st March Year N	1st April Y N-1 to 31st March year N	FY 1
Auditor General's Annual Report for FY 1: latest 31st December Year N (FY 2)	31st December Year N (max)	FY2
PAC Review: from March Year N+1 to September Year N+1 (FY 2 to FY 3)	From March Year N+1	FY 2 and FY 3
PAC report to House: From October to December Year N+1 (FY 3)	From October Year N+1	FY 3
Application Recommendations to next possible period: FY 4 (Year N+2 from April 1st)	From 1st April Year N+2	FY 4

(ii) Extent of hearings on key findings undertaken by the legislature

Score A: The PAC calls to account all the AOs and CEOs who have not resolved outstanding issues with the Auditor General, according to matters arising in the audit reports. It does thus cover most of the entities with adverse or qualified opinion. This is thorough, not limited and well relayed into the media. Sessions are public.

The Public Accounts Committee (PAC) calls all the Accounting Officers of Ministries and the CEOs of Public bodies, to account for their management and to respond to queries officially, when they have not resolved outstanding issues raised by the AUGD. The hearings are thorough (the PAC has a reputation for hard questioning) and the sessions are both open to the public and media, and broadcasted live on TV and radio.

(iii) Issuance of recommended actions by the legislature and implementation by the executive

Score C: Sanctions and corrective measures addressing systemically the recurrence of breaches do not appear to be issued and implemented.

The Public Accounts Committee (PAC) then makes recommendations, and, although the Auditor General's report 2011 noted that some Accounting Officers had taken note of them and were improving compliance, overall sanctions are rarely imposed and there are neither incentives nor obligations to take corrective measures. Indeed as noted in PI-21, there is little link made with Audit Committees whose scope does not appear to include the recommendations and correctives issued out of the Auditor General and PAC scrutiny. Further, the law only requires a response from the management, and although this is enforced thoroughly through the question sessions with the PAC, it does not oblige the Accounting Officers to take corrective measures. As a result, the main sanction is the risk of going through the ordeal of being called to answer to the Public Accounts Committee or being surcharged as already noted in 2007.

The PAC does not review and debate the Contractor General's report. This is done by another Committee of the House and thus it appears that this report, and its special reports, although pertaining to public finance management, and having the same features than a SAI's report, does not serve to call to account the Accounting Officers and recommend corrective measures. This is a limitation of the scope of the House's review of the public finance management.

In 2010, the Auditor General's Annual Report stated:

P.30 "Failure by several entities to comply with the Government's financial rules continued to result in inadequate control over stores, furniture and equipment, the custody of blank cheques, the preparation and payment of salaries and the purchase of petrol, thus undermining the objective of safeguarding Government's resources".

P.30 "The audits identified breaches of the Government's prescribed rules for the procurement of goods and services costing approximately J$398.8M and US$123,200 [Appendix M] involving 19 entities. These included failure to obtain the required recommendation of the National Contracts Commission for contracts of J$10 million and over as well as to invite the required competitive price quotations before awarding contracts for less than J$10 million. I was therefore often unable to determine how those organizations satisfied themselves that the prices paid were fair and reasonable".

Both issues, when coupled to all compliance breaches reported out of the sampling done by the Auditor General reveal the seriousness and continuing disregard for the Government's financial management regulations. In addition, late submissions of annual financial statements and of monthly expenditure returns have been compounding the weakness of the control framework. Un-cleared advances remain a problem.

In 2011, the Auditor General stated: "Conversely, we have repeat offender, who though addressing the specific audit concerns failed to address the underlying causes." (p.14). Such statement implies a clear absence of systemic follow-up.

Progress made and change explanation: Although the FAA Act has been modified to better integrate the work of the Audit Committees, it does not require the implementation of corrective measures. No mechanism has been designed to ensure that systemic corrective measures are determined and implemented.

No changes in Scores are justified on the basis of evidence received.

3b Donor Practices

This section uses three high-level performance indicators to measure the performance of donors involved in the Government's budgetary processes.

D-1 Predictability of Direct Budget Support

Overall score (Scoring method 1): D+

(i) Annual deviation of actual budget support from the forecast provided by donor agencies at least six weeks prior to the Government submitting its budget proposals to the legislature (or equivalent approving body)

Score A: In none of the past three years has the total direct budget support out-turn fallen short of the forecast by more than 5% (Table 44). Annual deviations varied from 96.4% in FY 2009/10 to 99.8% in FY 2010/11 and 95.5% in FY 2011/12. Out-turns, however, varied often considerably depending on individual donors and the yearly and quarterly calendar of disbursements.

Direct budget support consists of all aid provided to the Government treasury in support of the Government's budget at large (general budget support) or for specific sectors. When received by the Government's treasury, the funds will be used in accordance with the procedures applying to all other general revenue with the exception of funding provided with the stipulation that a specific account(s) is established for the management of the resources during the implementation period of the specific project. Identified budget support may be channelled through a transit account held by the Government before being released to the treasury.

Funding provided by direct budget support constitutes an important source of financing for the Government in Jamaica. The inability to predict inflows of budget support affects the Government's fiscal management to the same degree as the impact of exogenous factors on the collection of domestic revenue. Delays in budgetary inflows can have serious implications for the Government's ability to implement the budget as planned.

Analysis of external aid shows that direct budget support to Jamaica was provided usually by four main donors, with the Inter-American Development Bank (IDB) being the largest donor (47%), especially in FY 2009/10 and FY 2010/11. Other major donors include the World Bank, European Union (EU), and the Caribbean Development Bank.

In Jamaica, donor estimates or forecasts are usually provided on an annual basis, with no clear indication of the quarter in which the donor expects the disbursement to take place. New evidence, however, suggests that some donors were able to coordinate better than others (as reflected by the programming of quarterly disbursals) thus enabling to line up the programming of disbursals to the budget preparation timeframe and the circumstances of the recipient country.

As shown in the Table 44, there has been an overall shortfall far in excess of no more than 4% on average over the past three years when direct budget support outturn was compared to the forecast. This shortfall varied over the period that is attributed to delays on the part of the budget support recipient in complying with certain specified conditions and other unforeseen economic and other circumstances/developments of the country, as well as prolonged negotiations and administrative procedures.

Table 44: Direct Budget Support: Budgeted versus Actual
(In US$, unless otherwise noted)

	Agreed forecast	Actual disbursed	% Out-turn
Data for year	**FY 2009/2010**		
Quarter 1	61,313	10,637	17.3%
Quarter 2	18,891	53,834	285.0%
Quarter 3	48,581	57,315	118.0%
Quarter 4	412,080	399,500	96.9%
Total for the year	540,865	521,287	96.4%
Data for year	**FY 2010/2011**		
Quarter 1	59,759	54,036	90.4%
Quarter 2	210,612	199,500	94.7%
Quarter 3	200,000	225,369	112.7%
Quarter 4	61,769	52,001	84.2%
Total for the year	532,141	530,906	99.8%
Data for year	**FY 2011/2012**		
Quarter 1	19,003	22,511	118.5%
Quarter 2	38,480	43,393	112.8%
Quarter 3	110,332	110,534	100.2%
Quarter 4	16,862	-	0.0%
Total for the year	184,676	176,438	95.5%

Sources: Ministry of Finance and Planning/PEX Division and PIOJ.

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

Score D: There is no genuine schedule of donor disbursement by quarters.

The Government of Jamaica does not have a formal programme schedule of donor disbursements by quarters. Disbursements depend on progress reports provided to the donor and Government. Such arrangements are undertaken by donors where designated officers submit the required reports of expenditure and replenishment requests with the necessary supporting documentation

As a general rule MOFP consults internally to determine the fiscal capacity and expectations for the upcoming year and includes disbursements in the Budget that are consistent with Government expectations. Therefore, there is a degree of control on the part of Government regarding the amounts received. In terms of the commitments made by the donors, funds are released generally based on meeting and maintaining specific conditions precedent, but releases can be further delayed by lengthy procedures.

D-2 Financial information provided by donors for budgeting and reporting on project and programme aid

Overall score (Scoring method 1): D+

(i) Completeness and timeliness of budget estimates by donors for project support

Score C: Half of official donors (including three of the five largest) provide budget estimates for disbursement of project aid for the Government's coming year usually two to three months prior to its start and with a breakdown not necessarily consistent with the Government's budget classification.

All projects financed by major development partners (by quantum of resources) are implemented through project implementation units each submitting budget estimates to the Ministry of Finance and Planning, as part of the regular budget process through the relevant MDA. PIUs, however, are often confronted with various problems hampering execution of projects and compliance to deliver in a timely basis. These problems affect projects funded by most of the largest donors as they are confronted with shortages of domestic financing and problems of design and local capacity during certain times of the year leading to constant delays and project redesign and expected outcomes to vary often considerably from what was originally intended. This creates uncertainty in the portion of external disbursement and consequently in the budgeting and programming arrangements. At least half of donors provide budget estimates for disbursement of project aid in periods varying every year from two to three months prior to the budget preparation.

(ii) Frequency and coverage of reporting by donors on actual flows for project support

Score D: Most donors do not provide quarterly reports within two months of the end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget.

Some donors such as IDB, EU, and the Spanish Government Aid do provide periodic reports to the Government. In most instances, however, where this does not occur, the lack of donor information can be supplemented by other records maintained by the various programme managers, programme coordinators or designated technical staff. However, although the budget reports provide information regarding funds released periodically, it may be necessary to retrieve the hardcopy file for the period being queried in order to verify the initial amount transferred by the donor to Government.

D-3 Proportion of aid that is managed by use of national procedures

Score C: Conservative figures suggest that 50% of aid funds to the central government are managed through national procedures, albeit this varies amongst the largest donors and sources of assessment. While the majority of EU resources (80%) use Government systems for the processing of direct budget support, others such as IDB and USAID use their own procedures for procurement, accounting, audit, and reporting in respect of funds other than those provided as direct budget support, according to recent PEX and PIOJ reports. In its 2011 edition (Aid Effectiveness: 2005-2010—Progress in Implementing the Paris Declaration, OECD recognizes that "there remain challenges in improving the reliability of country PFM and procurement systems in order to encourage their use among donors. Figures in this regard are remarkably low at approximately 10%, particularly for EU".

Assessors have chosen to combine the results of the latest Aid Effectiveness Report on Jamaica by OECD (2011)[38], Indicator 5a "Use of country public financial management systems" and Indicator 5b "Use of country procurement systems", and the Planning Institute of Jamaica's survey on the Use of National Procedures by externally-funded capital projects for the past three fiscal years. The result is an average of "C" in all national procedures used by foreign donors in the country.

According to the OECD survey data, only 12% of the aid to Jamaica in 2010 used public financial management systems. However, this may not reflect the actual use of country auditing systems by the IADB, as the correct information was not reported in time for the validation of survey data by end-July 2011. As IDB is the largest donor to Jamaica, updating this information would significantly improve Jamaica's overall performance on the use of PFM systems (in the range of 30%). The third largest donor to the government sector, the EU Institutions, registered the highest figures among major donors at 80%. Regarding challenges to a greater use of PFM systems, some donor headquarters notably continue to require additional and/or external procedures, particularly in the area of audits, in order to satisfy their management, but continued efforts and progress in this area should solidify the gains already achieved as well as provide further justification and assurance in the integrity of Jamaica's country systems.

According to OECD, the use of country procurement systems presents a similar dynamic to indicator 5a. According to the survey data, only 11 % of total aid uses Jamaica's procurement systems. Only three donors made any use of country procurement systems, the EU Institutions, Japan and the United States at 80%, 86% and 100% respectively. Jamaica has implemented reforms to improve its procurement systems such as:

38 Aid Effectiveness 2005-2010: Jamaica's Progress in Implementing the Paris Declaration, OECD 2011 Aid Effectiveness 2005-2010: Jamaica's Progress in Implementing the Paris Declaration, OECD 2011.

strengthening the Office of the Contractor General by producing comprehensive guidelines for government procurement procedures; and improving the capacity of the National Contracts Committee, the Offices of the Auditor General and the Accountant General. Despite these reforms, some donors have been reluctant to depend entirely on local country systems. However, donors such as the Caribbean Development Bank, the Inter-American Development Bank, the EU Institutions, and the World Bank are investing in Jamaica's efforts to improve the efficiency of country systems.

On the other hand, the PIOJ has reported on a range of development projects and the practices used by external official donors in the provision of project funding in Jamaica. PIOJ survey data shows that actual funding for FY 2011/12 concentrated mainly on the Government People's Republic of China (29%), World Bank (25%), IDB (24%) and CDB (14%), and other minor donors including OPEC, USAID, Government of Venezuela, .UNICEF, DFID, and CIDA. All donor practices were surveyed and noticeably, questions to whether national procedures are used were answered with "Yes" (Table 45). Assessors could not probe the validity of the answers provided in the survey.

Table 45: Composition of Project Funding by External Aid Donor and Use of National Procedures

		Use of national procedures				
Donor	Disbursed aid (%)	Procurement	Expenditure control	Payment	Financial Reporting and Accounting	Audit
CDB	14%	yes	yes	yes	yes	yes
IBRD*	25%	yes	yes	yes	yes	yes
IDB	24%	yes	yes	yes	yes	yes
China	29%	yes	yes	yes	yes	yes
OPEC	3%	yes	yes	yes	yes	yes
Venezuela	1%	yes	yes	yes	yes	yes
Spain	0%	yes	yes	yes	yes	yes
UNICEF	1%	yes	yes	yes	yes	yes
UNDP	0%	yes	yes	yes	yes	yes
USAID	2%	yes	yes	yes	yes	yes
CIDA	1%	yes	yes	yes	yes	yes
DFID	1%	yes	yes	yes	yes	yes
Total	100%					

Source: PIOJ.

Progress made and recent developments: Overall scores in donor practices have lowered in 2012. Deteriorating macroeconomic conditions, slow progress of PFM reform, scarcity of domestic funding, and low capacities at local level led both general budget support and project-based budget support to provision in lower levels compared to 2007. Failure on the part of donors in complying with national standards and systems remain a concern.

4 Government Reform Process

4.1 Recent and ongoing reforms

Jamaica has for several years initiated and implemented reform measures in a number of PFM components, some of which are still ongoing. The reforms were sometimes initiated under the impetus of donors, others were enshrined in GOJ's Public Sector Modernization Vision and Strategy (2002 – 2012) and yet others in the amended Finance Administration and Audit Act. The reform programme has evolved from being funded through the Structural Adjustment Loan in the eighties to the Public Sector Modernization Programme I and II since the nineties. The reform direction and management has always resided with the Office of Cabinet, which should have ensured a high level championship. Although a Medium Term Action Plan (MTAP) was established as a home-grown, wide-ranging reform agenda, Jamaica still lacks a clear reform strategy and programme addressing specific technical and technological aspects of PFM and recognizing all inter linkages across PFM functions brought under the technical lead and stewardship of MOFP. The reform effort over the last 5 years remains characterized by fragmentation and objectives that did not take into account the current stage attained by Jamaica's PFM with regard to Fiscal Discipline, Efficient Service Delivery and Strategic Allocation of Resources. Reforms were attempted, others re-prioritized due to various circumstances in recent years thus resulting in major shifts and uncertainty in the overall structural reform strategy plan.

Meaningful reform efforts took root over the past two decades thus setting the path towards decentralizing the bulk of financial controls to the ministries, in an effort to benefit from decision-making closer to service provision. Services were provided to improve budgeting and accounting, cash and corporate planning and personnel management and procurement processes. Through the implementation of FINMAN the need for integrating and automating line management processes grew up higher thus resulting in significant staffing across public financial management functions. Other reform initiatives aimed at providing assistance to upgrade the technical capabilities within tax and customs administration and at ensuring efficient and effective tax collection.

Central authorities have come to realize that fiscal monitoring and reporting that accompanies successful decentralized systems have not been affordable. Equally important, the fundamentals of a budget process based on strong fiscal discipline are not fully in place. The budget laws approved by Parliament over time did not reflect the actual pattern of expenditures and were characterized by multiple amendments, cash rationing and increasing stocks of unpaid obligations. Getting a stronger handle on cash management was the imperative first step toward sustainable reform, and yet, commitment control is still not achieved.

Without better planning and daily knowledge of actual activity, the Government has not been able to make the best use of cash nor could it supply the predictability needed to move from cash rationing to cash management, giving ministries the ability to manage their resources effectively.

Donors, eager to help Jamaica create a more reliable public financial management system, encouraged a number of reforms: new automation efforts; new charts of accounts; replacement of cash accounting with accrual; institution of medium term frameworks to assure more policy-based budgeting; and e-Government. However, it is now recognized in Jamaica and internationally, that such externally imposed high level objectives are unlikely to be achieved, unless the basics have first been fixed[39]. Early in 2010, IMF experts reaffirmed the findings of the EU-sponsored PEFA in 2007 setting an ambitious reform agenda by getting control over cash first. The IMF experts concluded that one key reform, centralized treasury management, could reliably form the foundation for the reform effort, and that conversely, without the foundation of centralized treasury management, the other proposed reforms could not achieve the results they sought. A time-table with good-practice steps of creating a central treasury was developed and agreed. In July 2010, the IMF's regional technical assistance centre in the Caribbean, CARTAC, commenced a programme of periodic expert advisement with the goal of moving quickly toward a treasury that centrally managed cash and exerted more transparent control over execution of the budget within the year – although this would prove to be an ambitious timeframe.

In order to improve PFM the establishment of a Central Treasury Management System has been prioritized (and indeed set as part of the FAA Act amended 2010), implementing a Treasury Single Account to optimize cash management among Government agencies. It is, however, surprising that the priority of the CTMS is to control payment of recurrent expenditures, the smallest share of the budget, while payroll is fast becoming a problem. Complementary to this process, the establishment of budget coherence between corporate plans, operational plans and the budget through the MTEF is pursued. However, again, MTEF seems to be a distant prospect in absence of credible fiscal forecast, including annual revenue estimates and a credible budget formulation and preparation process that would allow reconciling top-down constraints with bottom-up priorities. Although reform activities are ongoing, critical processes of the PFM system such as personnel management, Government accounting system, and auditing that require reform and capacity development still remain to be tackled.

A reform impetus had been built in 2009, and led to the amended FAA Act thus establishing a constraining Fiscal Responsibility Framework and other legal and regulatory reforms in the management of procurement, public bodies, and public debt. These changes should essentially enable the Government to base its reforms activities on a robust legal framework and integrate efforts and provide an opportunity to develop the necessary processes, internal controls, structures and systems for achieving the goals set out in the FAA Act. Up to now, this has failed to materialize in most cases.

Reforms to procurement processes and institutions are in progress. Jamaica has established the open tender as the default method for procurement and revised its Public Sector Procurement Guidelines, making it clearer as to when less competitive methods can be used. This provides a solid basis for control and is used by the OCG to that effect. A Procurement Act is at layman's draft stage and will further clarify the duties and

[39] The stream of work resulted in World Bank, IMF and EU high-level meetings with PEFA Secretariat and a series of analysis. A Draft paper on PFM reform sequencing is out for debate to support practitioners.

responsibilities of all institutions involved in policy-making, implementation, as well as supervision and control. The National Contracts Commission is currently redesigning the registration process while the OCG is seeking to step up control over contracts awarded at head of procuring entity level.

Other tangible reforms were initiated since 2010, although with limited impact, for example, the monitoring of payables and expenditure payment arrears. Other reform efforts are progressing faster, such as those relating to debt management, oversight of public bodies, and external audit.

However, as pointed out above, the remaining PFM reform agenda supporting the goal of achieving fiscal consolidation and centralizing of fiscal monitoring is at a nascent stage. The agenda includes upgrading of fiscal planning and policy analysis, central payment and recording system, forward looking expenditure forecasting, tax policy and administration, unifying the registration and management controls of staff resources, procurement, internal auditing and internal controls and external auditing. Others also avow for reforms in external resource management, budget and performance management, information technology services, investment management, administrative support services, and monitoring and evaluation. All these different reform needs are to be addressed in the frame of a sequenced, prioritized reform in a concerted and coordinated manner within Government.

As of now, there is no reform plan that seeks to address the basics first, identifying clear PFM performance stages to attain, and the objectives for allowing a clear sequencing. For example, accurate, transparent and improved cash controls and forecasting, commitment control, enhanced control over all public investments (procurement and assets management, quality of planning to avoid wide variations), improved credibility of the forward spending estimates and linked recurrent forward spending, a reformed budget calendar to allow budget formulation and budget preparation to be reconciled and a comprehensive budget classifications should be addressed as soon as possible. As such, the current plan included in the Public Sector Modernization, that seeks to achieve medium term expenditure framework informed by performance appears not rooted in a credible PFM reform plan. Most entities involved in PFM as practitioners are not part to the design of such reforms, creating a disconnection between high-level objectives and the realities of the current PFM system weaknesses.

4.2 Institutional factors supporting reform planning and implementation

If there has been ownership of some specific reforms, and indeed piecemeal actions have been implemented, clear Government leadership in the coordination of an established PFM reform programme serving as the vehicle for coordination, including that of donors, has been absent.

It would thus be imperative to establish the requisite institutional arrangements for design, management and monitoring of the PFM reform effort, taking into account long-term objectives, current priorities, sequencing, capacity and funding constraints. Indeed, capacity development does not seem to have been addressed as an important obstacle to reform implementation. Capacity stems from five key components:

- *Legal and regulatory framework*: though reforms have been implemented, numerous loopholes have been indicated limiting action by Government to collect revenues and enforce a clear control framework;

- *Institutional framework*: clearly delineating the roles and responsibilities of each entity, such as in the case of procurement or revenue management where agencies perform treasury tasks;

- *Systems*: as reported in several instances, current IT and non IT systems are found wanting, with commitment control and payment in most urgent need of fixing;

- *Professional proficiency:* human resources lack the vision and the means to define plans and implement them. For example, in the Ministry of Transport, Works and Housing, there are no procurement experts nor engineers in control functions, leading to weak control capacity over complex projects, with subsequent high budget and contract variations; and

- *The banking and administrative network*: though Jamaica boasts a fairly well developed network, lack of third party legislation does not allow making efficient use of it.

An important priority for the Government of Jamaica will lie on developing an in-house capacity that is more sustainable in the long term. While this is a strategic priority, in the near term there is clearly need for (short term) technical support to be provided to various component managers to ensure that there is adequate capacity to complement the PFM reform programme in a PFM strategic document. The key to the success of PFMRP and all other reform programmes is longer term civil service reform, which is a priority for GOJ, but which is taking longer than expected to be operationalized.

The success of a PFM reform action plan is determined by the quality of institutional arrangements to manage reform, ensure coordination of the activities and feedback from the line ministries and de-concentrated units on the roll-out of the reform activities. Important, the leadership role of the MOFP as the technical agency has to be established with a clear mandate, backed by a champion.

Currently, although reform activities are proceeded with, there is no mechanism for allocating responsibilities, funds allocation and support through monitoring and reporting. As indicated above, in this matter the ownership of reforms appears crucial. As the reform design process is generally led by the Office of the Cabinet, the MOFP and the line ministries' financial management have been involved to a much lesser extent, if at all in some instances. Apart from the PEFA Oversight Committee instituted for the repeat assessment of 2012 and other activities, thus bringing together for the first time representatives from the revenues agencies, the MOFP, the Cabinet, the Parliament, and occasionally from selected line ministries, there is no major platform for dialogue, reform design and management. Still, the line ministries are excluded from this platform. Such a platform should be relayed by technical staff, supporting the adequate sequencing and coordination of reform activities and their roll-out. During this assessment, meetings that brought together several entities have indeed yielded interesting conclusions, well beyond the purview of this assessment. Participants have affirmed the interest and power of such platforms in addressing the main challenge of buy-in by the most relevant and directly responsible units for the proposed reforms.

A considerable effort will be required on the part of both the Government of Jamaica and its international development partners to bring predictability and order to the provision of external financing for PFM reform. As shown in the PEFA review, the Government has taken significant steps to better integrate aid not only in its budget, but as part of its budget preparation, taking into account capacity and fiscal space.

The Public Administration and Appropriations Committee and the Public Account Committee of the House of Representatives have shown a tremendous interest in this review and the technical findings exposed as to why Jamaica still fails to achieve the basics and subsequently fiscal discipline, impairing its move towards more efficient service delivery and strategy allocation of resources, in turn critical for economic growth. They made a pledge to act as a bipartisan committee to provide a clear impetus and political backing for PFM reform effort. This may be an opportunity to design a PFM reform programme and institutional arrangements that will sustain the electoral process and will bring increased transparency and accountability through the Parliament and the annual Budget Speech. This could also include a timetable for the achievement of each element. Thereafter, the unit would make quarterly reports to a more focused PFM Oversight Committee with the objective of keeping all the different elements of PFM reform on track.

Annexes

Annex 1: Analysis of Progress in Performance of PFM System, PEFA 2007 and 2012

	2007 Score	2012 Score	Brief Explanation and Changes
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	A	In 2007, aggregate expenditure out-turn exceeded 5% in two of the last three fiscal years. In 2012, in none of the three fiscal years assessed have the aggregate expenditure out-turns exceeded the 5% threshold.
PI-2 Composition of expenditure out-turn compared to original approved budget	C	B+	Comparison is not possible due to changes in the methodology of assessing the indicator. One salient feature is the contingency charges being insignificant in the budget. In 2007, overall variance in expenditure composition diverged by more than 15% in one year. In 2012, the variance, excluding the contingency items, exceeded 5% but no more than 10% in each of the past three fiscal years. Variances observed were 7.2% in FY 2009/2010, 6.2% in FY 2010/11, and 8.4% in FY 2011/12.
Extent of the variance in expenditure composition during the last three years, excluding contingency items	…	B	Overall variance in expenditure composition, excluding the contingency items, exceeded the deviation in primary expenditure by more than 10% (but less than 15%) in one of the past three years.
The average amount of expenditure actually charged to the contingency vote over the last three years	…	A	Actual expenditure charged to the contingency vote averaged 2.7% of total original budget over the past two years.
PI-3 Aggregate revenue out-turn compared to original approved budget	A	D	In two of the three fiscal years the domestic revenues reached an aggregate out-turn of less than 94%. Actual domestic revenue (as a percentage of originally budgeted revenue) was 91.7% in FY 2009/10, 95% in FY 2010/11 and 90.9% in FY 2011/12. The change in score between 2007 and 2012 may be attributed to a number of factors including the impact of the current world economic and financial crisis, adding tensions to the revenue forecasting and collection. This may be compounded by the reform of TAJ and Customs Department.
PI-4 Stock and monitoring of expenditure payment arrears	NS	C+	Existence of verifiable information on expenditure payment arrears and establishing of a form of monitoring constitute a good indication of reforms taking place in this area. As data was made available, the indicator could be scored.

	2007 Score	2012 Score	Brief Explanation and Changes
Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding financial year) and any recent change in the stock	NS	B	The stock of expenditure payment arrears, as reported by PEX, has declined almost by half over the past three years, with a level averaging about 1% of total expenditure. When items reported by other sources are added up (i.e. rental arrears, salary increases) the level goes up to nearly 5% of total expenditure. In 2007, the dimension could not be assessed due to largely unreliable arrears data.
Availability of data for monitoring the stock of expenditure payment arrears	D	C	Data on the stock of arrears has been generated annually by an ad hoc registry procedure over the past two years, nonetheless, the definition and scope of expenditure payment arrears adopted does not commensurate with the overall transparency needs so as to include and monitor other key payables items such as salary increases and other social benefits.
PI-5 Classification of the budget	A	A	The budget formulation and execution is based on an economic, administrative and functional/programmatic classification that is broadly compatible with GFS 2001 and COFOG standards. Certain anomalies in economic and functional categories remain a concern nonetheless. Revenues are also classified with sufficient detail in the budget system. No change in the score.
PI-6 Comprehensiveness of information included in budget documentation	C	A	Budget documentation complied fully with 4 of the 9 benchmarks in 2007. Budget documentation complies fully with 7 of the 9 benchmarks in the 2012 assessment.
PI-7 Extent of Unreported Government operations	C	NS	In 2007, extra-budgetary spending was estimated at about 5% of the total budget, which resulted in a C rating on dimension (i). A large panel of potential sources of unreported operations was researched in 2012, helping to unveil more information. It was possible to quantify that this risk represents well beyond 10% of budgeted figures as of 2011/2012.
Level of unreported extra-budgetary expenditure	C	NS	Data was availed to the assessors from a number of sources of unreported off-budget expenditure operations, though not all necessarily quantifiable. Tax Refunds Arrears which constitute a financing item are not included, but quantified to approximately 10% of annual expenditures.
Income/expenditure information on donor-funded projects	C	A	Data on donor funded projects, loans and grants, is included in the budget (cap B) with GFS classification and reported upon in the same classification. Donor in-kind aid is not systematically reported. This explains the change from C to A.
PI-8 Transparency of inter-Governmental fiscal relations	C+	C	The rules applied and the volumes of transfers have been better appraised, leading to a change of score for sub-dimension (i). Sub-dimension (iii) benefited from better

	2007 Score	2012 Score	Brief Explanation and Changes
			evidence resulting in the degrading of dim (iii) from B to D: no consolidation takes place as confirmed by MOLG.
(i) Transparent and objectivity in the horizontal allocation among SN Government	B	A	More than 90% of all central government transfers are based on clear rules, specified in the Parochial Revenue Act and based upon specified grant calculation metrics.
(ii)Timeliness of reliable information to SN Government on their allocations	D	D	There is no information given to the parishes for their budget preparation, though the clarity of the rules, the practice and budget trends appear to be providing a consistent and reliable basis for estimates.
(iii) Extent of consolidation of fiscal data for Government according to sectoral categories	B	D	All parish councils and the municipalities provide an annual budget and monthly account statements (budget execution reports) to the Ministry of Local Government for the share of funds received from the central government. No consolidation takes place at the MOLG. The Auditor General is required by law to audit the parishes' financial statements. However, the classification and accounting standards used by parishes are not consistent with that of the central government and delays are experienced beyond 12 months.
PI-9 Oversight of Aggregate Fiscal Risk	A	A➚	No changes in score but reform of the PED and future inclusion of the partially funded public bodies under MOFP monitoring warrant an arrow. No changes for local authorities.
(i)Extent of central government monitoring of AGAs/PEs	A	A➚	All major public bodies outside the direct control of their parent ministry (self-financing) are supervised by MOFP PED through availed quarterly and annual reports and annual corporate plans. The PBMA Act provides for their obligations in terms of compliance and stewardship, and restricts their borrowing power to the Minister of Finance's authorisation. The PED ensures a consolidated annual budget submission and reporting to Parliament. PED reports weekly to the Fiscal Policy Committee and whenever necessary to the Office of the Cabinet for decision-making and policy steering on fiscal risk. GOJ liabilities are known, recorded and reported on this quarterly basis. All other public bodies are controlled under the central government budget and cannot borrow without Minister of Finance authorisation as for any central government debt. All public bodies are also subject to external audit and Contractor General supervision on a quarterly basis. The Public Establishment Division determines all public bodies' establishment. The PED monitoring does not distinguish between financial and non-financial

	2007 Score	2012 Score	Brief Explanation and Changes
			businesses. Supervision of financial companies requires certain technical skills that PED does not conduct. DBJ and other state banks' lending to the private sector remains questionable and the extent of which PED can assess the fiscal risk within this group of companies is uncertain.
(ii) Extent of central government monitoring of SN Governments' fiscal position	A	A	The fiscal position of local authorities is monitored by the Ministry of Local Government as provided by law but no consolidation takes place and parishes fail to comply with submissions of annual financial statements to the Auditor General´s Department for external audit. MOLG exercises oversight through monthly expenditure reports and internal audit. Local authorities' borrowing power is strictly limited by direct authorisation of the Minister of Finance and the Parliament: no debt has ever been authorised nor accrued by parishes. They cannot generate liabilities for the Government.
PI-10 Public Access to key fiscal information	B	C	In 2007, the Government published (in a complete form) 3-4 key elements out of the 6 recommended types of information and, as a result, the indicator was scored B. Assessors contend the validity of the evidence examined leading to the fact that that Whole of Government annual financial statements and external audit reports did not exist at the time. In 2012, the Government makes available to the public 2 of the 6 listed types of information, namely, the annual budget documentation and contracts awarded above the direct purchase threshold.
PI-11 Orderliness and participation in the annual budget process	B	B	Assessors contend that the annual budget is not a process conducted in an orderly and timely manner. The Score remains unchanged. Unresolved issues relating to dimensions (i) and (iii), nonetheless, remain a concern.
(i) Existence of and adherence to a fixed budget calendar	B	C	An annual budget calendar exists but it is rudimentary, with activities and times not specified in an explicit manner, followed through only by custom/default, and delays are frequent, as a result. Assessors found no justification leading to a score B in 2007, this should have been scored as C as in 2012.
(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)	A	A	A clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet prior to the circular's distribution to MDAs together with general guidance on expenditure priorities, within which MDAs should prepare their submissions.
(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)	C	C	Parliament has, in two of the past three years, approved the estimates of expenditure and revenues within two months of the start of the financial year. There is no joint

	2007 Score	2012 Score	Brief Explanation and Changes
			session for reviewing the overall financing and expenditure matters pertaining to the annual budget. There is no timetable specified in the budget calendar for legislative scrutiny of the annual budget reviews, nor it is clear the extent of which the budget review is performed by the Parliament on revenue collection and expenditure for the Government and individual MDAs, for the current year and the comparison with previous years, the implications in public borrowing and other key FRF variables.
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	B	Assessors proved that the institutionalizing of a medium term planning capability is in a firm progress, which merits the improvement in the overall score. Still, certain reforms are lagging behind, particularly those relating to MTEF and linking to corporate plans. Budgeting is on the process of moving towards linking cash and corporate plans to rationalizing spending and balancing the budget through a fiscal responsibility framework on a three year rolling basis.
(i) Preparation of multi -year fiscal forecasts and functional allocations	C	C↗	Forecasts of fiscal aggregates are prepared according to main categories of economic classification (salary and non-salary expenditure), and functional classification for three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are not yet operational and clear although the assessors justify an arrow provided their integration being on firm progress.
(ii) Scope and frequency of debt sustainability analysis	A	A	Debt sustainability analysis for external and internal debt has been conducted regularly during the past three financial years, in the context of regular IMF staff reviews of the Standby Agreement. MOFP is now moving towards adopting its own DSA capabilities.
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure	C	B	Medium-term strategy plans exist for the health and transport sectors representing 43% of primary expenditure, both of which are linked to Vision 2030 goals and are fully cost in its school and hospital infrastructure and equipment and total staffing needs. The score improved to B due also to the institutionalizing of MTEF thus enabling key sector strategy plans come more in consonance with fiscal forecasts.
(vi) Linkages between investment budgets and forward expenditure estimates	C	C	Linkages between investment budgets and forward expenditure estimate have remained weak for the most part. Government has just drafted a PSIP that is linked to tight budget constraints set forth through FRF. The lacking of PIM technical guidelines is severely hampering the provision of adequate investment decisions and the integration of investment budgets to programming of operating expenses.

	2007 Score	2012 Score	Brief Explanation and Changes
			In general, investment decisions are made now more in consonance with medium-term sector strategies; however, their recurrent cost implications are partially included in forward budget estimates only in the budget of few priority programmes. To improve this process, a Public Sector Investment Prioritization (PSIP) programme encompassing critical projects has been established recently, but this does not suffice to guide the prioritization of projects according to technical, economic, social, environmental and other criteria. Technical assistance for guiding MDAs in adequately aligning time of completion of projects to programming of staff and other operating and maintenance expenses is still lacking.
PI-13 Transparency of taxpayer obligations and liabilities	B	B↗	No changes on clarity and accessibility have been evidenced requiring a lowering of the score. Discretion in granting waivers remains a concern, despite of the partial ban. The tax appeal changes have left the department with unclear operating basis and independence.
(i) Clarity and comprehensiveness of tax liabilities	C	C↗	The situation remains as of 2007. Legislation for all taxes exists and is available. It provides all steps for calculating liabilities, though some aspects are subject to discretion. Objections are better guided for TAJ but not for Customs. Tax waivers bore a heavy weight on Jamaica's ability to raise revenue fairly and to address the tightening fiscal space. A partial ban on waivers is applied since January of 2011, however the laws still provide total discretion to the Minister of Finance and Planning. The process of waivers is complex and involves many steps and units, lowering transparency and accountability. It was not possible to obtain a unique, consistent set of figures for objections and appeals waivers granted.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	Taxpayers' access to information is enshrined in the Public Access to Information Act and facilitated by Customs and Tax Administration Jamaica's websites, supplemented by pamphlets and education campaigns.
(iii) Existence and functioning of a tax appeals mechanism	B	C	The Tax appeal comprises three administrative levels of complaint: objection, appeal and Revenue Court. With the re-organisation of the tax administration in 2011, the Tax Appeal Department requires new regulations and an operating manual. It is now responding to the Financial Secretary and can no longer waive tax off: only issue ruling. Effectiveness and independence issues are concerns that still need to be addressed. Customs appeals process is not based on clear rules.

	2007 Score	2012 Score	Brief Explanation and Changes
PI-14. Effectiveness of measures for taxpayer registration and tax assessment	C+	C	Dimension (iii) has degraded due to better information on audit. There is no change to the other scorings of the taxpayers' registration since 2007. No changes to the legal and regulatory framework have come to reinforce compliance for tax registration, filing and paying. The audit mechanism functions on same basis as in 2007.
(i) Controls in taxpayer registration system	B	B	Taxpayers are registered using a unique tax registration number that is maintained in a database by the TRN office. The TRN is routinely used for a number of administrative proceedings such as driving license, car registration, and has been a requirement by some commercial banks. However, TRN may be generated for administrative purposes without leading to compulsory filing. There are insufficient links to other databases than that of TAJ and Customs and no legal framework to enforce registration.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	D	D	Penalties for non-filing of returns are non-existent for income tax but exist for other tax types. Interest charges are considered inapplicable with frequent waivers granted. The accumulation of interests is a problem for the information system. Interests and penalties do not act as a deterrent. The objection rate to assessment is high and allows for direct settlement with the Tax Administration and the Customs. There is no mechanism by way of which TAJ or Customs can directly collect amounts due.
(iii) Planning and monitoring of tax audit and fraud investigation programmes	B	C➚	Planning of tax audit is risk based for both TAJ and Customs. For TAJ, risk assessment relies upon a Data Mining Unit with limited means to corroborate information through different datasets. Nonetheless targets are defined, plans are developed and implemented and reported upon. For Customs, though plans are prepared and implemented, the basis for audit planning is not adequate while the information management leaves significant risks inadequately addressed. A new Risk Management System is planned.
PI-15. Effectiveness in collection of tax payments	D+	D+➚	The effectiveness of transfers receives a lower score, because evidence has been provided that the AGD (Treasury) does not have full control of all revenue collection on a daily basis, but relies on monthly reports. All funds are not remitted to the consolidated funds as tax refunds are made by the revenue agencies without clear policy guidance.
(i) Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal	D	D	The debt collection ratio is well below 60% for both years, for both Tax Administration Jamaica and Customs Department. The current stock of tax arrears is

	2007 Score	2012 Score	Brief Explanation and Changes
year, which was collected during that fiscal year			significant, even when taking into consideration only recent arrears or tax principal.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	B↗	All taxes are paid into the revenue accounts managed by TAJ and Customs Department and they transfer daily all collections to the Consolidated Fund and other funds as required by law, minus refunds. The two agencies operate treasury functions out of their accounts, hindering the Accountant General Department control of revenues and cash management. As such all revenues collected are not transferred in entire amounts to the Consolidated Fund due to Tax Refunds Arrears paid without clear payment guidelines and on the basis of a specific schedule.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	D	Monthly reports on tax collections are provided by both TAJ and Customs Department to Accountant General's Department and the Ministry of Finance and Planning. TAJ reconciles tax assessment and collection on weekly basis though it does not seem to allow reducing arrears. Customs do not prepare reconciliation between tax assessment, collection and receipts by AG. Detailed reports including this information are not issued to the AG.
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	D+↗	The 2007 assessment gave an overall rating of D+, with no changes in the 2012 assessment. In 2012 the score was given a D+ with an arrow due to certain relevant changes in the FAA and the FMR. In spite of the MOFP being able now to issue and update cash flow projections, certain weaknesses prevail particularly in the forecasting of cash outflows underpinning the issuing of monthly warrants and in-year adjustments to budget allocations. The issuing of monthly warrants without regard to the corporate plans continues to have serious implications towards the achievement of key milestones and actions set forth in the medium term sector strategies. Thus, cash management and programming remains weak thus undermine the predictability of MDAs funding in a serious manner.
(i) Extent to which cash flows are forecast and monitored	B	B	A cash flow forecast is prepared for the financial year and updated and reported weekly and monthly on the basis of actual cash inflows and outflows. Nonetheless, formulation of cash flow forecasts is not sufficiently reliable, not adhering to procurement plans and other corporate plans. Cash flow forecasting and monitoring are sole responsibility of PEX Cash Management Unit.
(ii) Reliability and horizon of periodic in-year information to Line Ministries on ceilings for	D	C	MDAs are provided with reliable information for their revised spending ceilings commitments, but only for one month at a time, provided a monthly warrant is issued

	2007 Score	2012 Score	Brief Explanation and Changes
expenditure commitment.			by the Financial Secretary on the basis of available cash resources projected through a cash flow forecast. This continues to be reported to MDAs under a short notice (30 days) thus leading MDAs to make commitments and adjust their operating plans with less than one month.
(iii) Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	D	D↗	Significant in-year budget adjustments are still frequent, and undertaken with little transparency. Cash resources are not released by the AGD in the amounts warranted to MDAs but ultimately on the basis of cash resources actually available, and as a result, budget resources are not paid fully thereby causing the build-up of unpaid commitments and further delays in MDAs' action plans. On the other hand, for those MDAs whose budgetary resources are fully paid over the year, supplementary needs often arise thus requiring cutbacks and seriously hampering operations of other priority programmes and projects. These adjustments are the result of continued virements and retroactive regularization widely accepted within Parliament thus continuing to undermine the authority and legitimacy of annual appropriations.
PI-17 Recording and management of cash balances, debt and guarantees	B+	C	The closure of a large number of bank accounts under the CTMS Project is on firm progress, though the initial phase in laying down the necessary institutional arrangements has slowed the implementation and the latter has faced various technical challenges. Other technical and legal challenges are at sight and yet, the Government is firmly committed to undertake the steps required to close the dormant bank accounts in FY 2012/13. As of September 2012, a total of 92 dormant bank accounts out of 132 had been closed, and an overall of 158 bank accounts had been closed out of approximately 4,000 identified commercial and state bank accounts. It is not yet clear on the number of bank accounts to be closed during the next phases, especially within those four line ministries in which the CTMS will be initially piloted. What is clear to the assessors is that the MOFP will have a better position to monitor and control the cash resources available in the banking system and take the necessary actions that enable an adequate cash and debt management and programming. In 2007, dimension (i) on the quality of debt recording and reporting was rated B, which lowered to D in 2012. Moreover, dimension (ii) on the extent of consolidation of the Government's cash balances was rated A, which is now degraded to C,

	2007 Score	2012 Score	Brief Explanation and Changes
			provided the growing number of bank accounts created since 2006 and operating away from the Consolidated Fund banking system and the inability of the MOFP to have a consolidated report on the Government's cash balances. Dimension (iii) remained unchanged in B. The overall score decreased from B+ in 2007 to B in 2012.
(i)Quality of debt recording and reporting	B	D	Data on publicly guaranteed Government debt are in general considered of fairly high standard, with comprehensive management and statistical reports (cover debt service, stock and operations) produced quarterly and annually. Foreign debt records representing half the total public debt are complete, updated on a monthly basis and reconciled on a semi-annual basis. Domestic public debt is also updated on a monthly basis. Other non-guaranteed public debts and yet owed by Jamaicans, nonetheless, remain relatively large, either not adequately registered through a centralized database or not reported by appropriate means at all.
(ii) Extent of consolidation of the Government's cash balances	A	C	Calculation and consolidation of cash and bank balances take place monthly by the MDAs, and yet, the system used does not have the capability to allow consolidation of bank balances in an automated manner, but with significant manual work, thereby causing the control of some extra-budgetary funds to potentially remain outside the arrangement. The balances of several Government bank accounts in commercial banks are not yet consolidated, though there is a plan to do so as part of the milestones set forth under the CTMS Project. Assessors found no evidence justifying the score of A in the 2007 assessment.
(iii) Systems for contracting loans and issuance of guarantees	B	B	MOFP remains the sole authority to contract loans and issue guarantees, subject to the approval of Parliament, and central government's contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, and always approved by MOFP.
PI-18 Effectiveness of Payroll Controls	D+	D+	No sufficient change has been evidenced since the 2007 PEFA to have an impact on the score.
(i) Degree of integration and Reconciliation between personnel records and payroll data	D	D	The establishment, the nominal roll of the entities and their payroll are not linked, nor integrated. There is no mechanism in place to collect all personnel data and to reconcile them with the establishment list and the monthly payroll.
(ii) Timeliness of changes to personnel records and the payroll	B	B	It appears that the timeliness of changes is kept within one to two months in the MDAs visited though it was not possible to verify this. In the cases of Education and

	2007 Score	2012 Score	Brief Explanation and Changes
			Health, changes are effected manually by regional offices.
(iii) Internal controls of changes to personnel records and the payroll	C	C	Controls were both carried out for the changes by the HRM unit in each MDA, using the Establishment Order as a basis and the personal files. The authority to effect changes to the nominal, establishment and payroll databases are clear. Where entities have been delegated authority, their human resources management unit is in charge. Controls are made difficult by the lack of integration of the databases. Errors and breaches are still reported by the Auditor General, on the basis of its sampling.
(iv) Existence of payroll audits to identify control weaknesses and /or ghost workers.	C	C	The PESD ensures controls through a reporting done by MDAs against the Establishment. This is not used to reconcile with nominal roll information. In 2010, the Public Sector Modernization Unit at the Office of the Cabinet carried a census, though it was not reconciled against all individual databases, thus its usefulness for controls was limited. The OSC audits only the HR management compliance. The Auditor General Department includes payroll audit and detects and reports errors, if minor, revealing system weaknesses but has not done an IT audit of the payrolls.
PI-19 Competition, value for money and controls in procurement	C	C↗	For (i), it is likely that this indicator would show a positive change of score from 2007 as no regulations were in force then, no establishing open tender as preferred method. Only one of the six criteria would have been met in 2007, corresponding to a "D".
(i) Transparency, Comprehensiveness and Competition in the Legal and Regulatory Framework	N/A	C↗	Indicator was modified, with new sub-dimensions and new specifications. Reform ongoing warrants a positive change arrow. Check table above for details explanations.
(ii) Use of Competitive Procurement Method (formerly (ii) Use of open competition for award of contracts that exceed the nationally established threshold for small purchases, and (iii)) Justification for use of less competitive procurement methods	(ii) C and (iii) C	D↗	The data collected does not permit verifying if justification for the use of non-competitive method is adequate in all cases. For FY 2011/12 it is possible to ascertain that adequate justification was given for 32.3% of non-competitive award (in value). As the OGC will introduce a new QCA evidencing justification for non-competitive method, an arrow is added. Note that this dimension is not comparable to 2007 (see PEFA framework).
(iii) Public Access to Complete, Reliable and Timely procurement Information	N/A	B	Three out of four document types (bidding opportunities and contract awards, and data on resolution of complaints, in principle as known have been filed) are available. The data is complete and reliable. It is published on the OCG and NCC websites and for bidding opportunities in the print media. Data on resolution of appeals is publishable but no appeals have been registered to date. The OCG publishes its investigations regarding each complaint received.

	2007 Score	2012 Score	Brief Explanation and Changes
(iv) Existence and operation of a procurement complaints mechanism (revised sub-dimension with 7 criteria specified)	C	C	The procurement appeal does not meet criteria (i) and (ii) and two other criteria. Dimension not comparable to 2007 PEFA.
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	D+↗	The situation has not changed since 2007 and may have even degraded further to the cash situation with commitment control being impossible in the current set-up, thus making the failures of controls even more likely, directly impairing the Fiscal Responsibility Framework. Although the Office of the Contractor General and the Procurement and Assets Policy Unit of the Ministry of Finance and Planning are stepping up their control in a complementary manner, the effectiveness of that will remain limited unless sanctions are applied and systemic corrective measures implemented.
(i) Effectiveness of expenditure commitment controls	D	D↗	The expenditure commitment control system is not complete (no tracking of orders) and is not functional due to partial recording and cash availability constraints. It is further hampered by inadequate procurement plans and a warrant system that does not adhere to the cash flow projections, causing uncertainty on the strength of the warrant, already limited to 30-days horizons. MDAs continue using budget voted as a basis for commitment, but report commitments made over the budget ceiling.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	B	B	Procedures on procurement, assets management, accounting procedures exist and basic internal control rules and procedures are generally understood and known by the MDA staff involved, though they may not be enforced accordingly.
(iii) Degree of compliance with rules for processing and recording transactions	C	C	The compliance to the rules is not high. Their effectiveness may be reduced by the cash constraints as the usefulness of controls is diminished. Repeated breaches of rules are documented throughout internal audit reports, Auditor General reports, Contractor General reports, and in practice (no submission of procurement plans). Rules' effectiveness is reduced by the weak control and governance frameworks.
PI-21. Effectiveness of Internal Audit	D+	D+↗	There are no changes to the overall score. The arrow demonstrates that recent reforms to the regulatory framework and improvement mechanisms are yet to have a marked impact on the quality of the internal audit work. Internal Audit will remain ineffective, impaired by the lack of follow up, as indicated by the D score.
(i) Coverage and quality of the internal audit function	C	C↗	The Internal Audit Function has been reformed in 2009 and the Internal Audit Directorate has developed training and improvement programmes to ensure

	2007 Score	2012 Score	Brief Explanation and Changes
			adherence to IIA standards will be attained. The Internal audit units', Committees' and Commission's focus on system issues is though limited due to staffing and budgetary constraints, with current capacity not allowing to ensure that IIA standards are fully met. The focus on system issues has increased though it is not possible to verify that it represents more than 50% of activities as the reporting appears to tackle rather compliance issues than system wide recommendations.
(ii) Frequency and distribution of reports	B	A	The reports adhere to a fixed schedule and are distributed to all required entities. The Auditor General has access to those and uses them for its planning, though it does not receive them automatically.
(iii) Extent of management response to internal audit findings	D	D	Management response is usually provided, but it remains a response with little evidence of systematic and systemic follow-up. The Audit Committees do not keep track, at least no evidence was provided, of their recommendations formulated, actions taken, responsible division and time-bound. The Audit Committees do not appear to keep track of the Auditor General and Contractor General recommendations either. There is no requirement in the FAA Act and regulations that impose Accounting Officers to take corrective measures within a time-bound framework.
PI-22 Timeliness and regularity of accounts reconciliation	D+	C	The overall score improved as now both, the bank account reconciliation statements and the reconciliation and clearance of suspense accounts and advances, take place in a timely manner. Though concerns prevail in that a large backlog of uncleared bank account balances and differences of bank accounts reconciliations remain unexplained by MDAs, not being able to recover large balances outstanding for many years. This is a major impediment to good cash management not enabling key expenditure programmes to access to those resources owed to Government.
(i)Regularity of Bank reconciliations	C	C	Reconciliation is undertaken by MDAs on a monthly basis with most submitting bank account reconciliation statements within two months from end of month, and yet, an aggregate level of bank reconciliation of Government is still lacking. Also, there is a large number of bank accounts held by central and commercial banks outside the direct monitoring of treasury management and the risk of material differences being unexplained remains a concern.
(ii) Regularity of reconciliation and clearance of	D	C	Reconciliation and clearance of suspense accounts and employee advances is being

	2007 Score	2012 Score	Brief Explanation and Changes
suspense accounts and advances			performed by MDAs and takes place annually, within two months of end of year. The result of this arrangement is that a significant number of accounts remains with uncleared balances brought forward repeatedly, as noted repeatedly by the AUGD annual audit reports. Specific internal controls and administrative procedures for executing the terms of advances and other similar accounts are still lacking. The MOFP plays no role in ensuring proper verification and compliance of terms of sanction and other contractual conditions.
PI-23 Availability of information on resources received by service delivery units	C	D	This was rated C in 2007 when a World Bank-led PER was undertaken to assess the quality of public expenditure in key social services and other sectors. In the past three years, however, no other major review or comprehensive survey or other similar reporting for the public on resources received by front line service delivery units and assessing on any institutional deficiencies hampering adequate service provision had been performed. As a result, the score to this indicator has been lowered to D.
PI-24 Quality and Timeliness of in-year budget reports	C+	C+↗	A series of reports are still required from MDAs to submit to MOFP during the year, with the adequate content and quality and in a timely manner so as to enable proper measures are taken to avert major financial difficulties and disruptions in service delivery within Government. These reports range from monthly accounts, bank reconciliations, clearance of advance accounts, verification of assets and value book, and reply to internal and external audit recommendations. Evidence indicates that most MDAs are furnished internally with reports containing erroneous information and do not report regularly to MOFP during the year.
(i)Scope of reports in terms of coverage and compatibility with budget estimates	A	C	The assessors found no justification supporting expenditure reports covering at both commitment and payment stages for which a score of A was granted. Today, the information, however, is captured at the payment stage only and, thus, is on a cash basis. Comparison between budget estimates and actual out-turns is still possible in aggregate and by economic categories for various MDAs. Commitment data are not recorded in FINMAN, apart from the schedule of debt service payments. Hence, the problem lies on the fact that comparison to budget cannot be merged for all MDAs at once, in one consolidated report produced by FINMAN which MOFP can use for cash management and budget monitoring purposes.
(ii) Timeliness of the issue of reports	C	C	Flash budget reports are prepared monthly and on average are submitted 8 weeks

	2007 Score	2012 Score	Brief Explanation and Changes
			after the close of each month, however there are a substantial number of MDAs (approximately a third) that are submitted well after 8 weeks.
(iii) Quality of information	A	B	The assessors found no justification supporting the score of A received in the 2007 assessment whereby there were no material concerns regarding data accuracy at all. Presently, there are some concerns about accuracy and consistency of financial data amongst the various fiscal reports. The problem lies on the extent of usefulness of flash reports for MDAs and ultimately their ability to reconcile monthly financial transactions with bank statements, and other Government accounts for cash management and other financial monitoring purposes.
PI-25 Quality and timeliness of annual financial statements	D+	D+	Overall score remains unchanged. Low scores remained unchanged due to failure in the existing legislation, regulations and systems to provide for a consolidated figure of the financial situation for the Government as a whole and in line with standardized accounting practices and reporting elements.
(i) Completeness of the financial statements	D	D	Only budget estimates on revenue and expenditure are prepared annually for the Government, FINMAN is not designed so as to provide consolidated financial statements and Government accounts annually, nor is the Government accounting system integrating the various ledgers and processes that could otherwise enable a centralized control of key accounts and monitoring of the fiscal position in a more accurate and timely manner. At present, MDAs submit various pieces of information in some form of financial statements conforming to basic coverage and other standardized format, according to AUGD.
(ii) Timeliness of submission of the Financial statements	C	C	For the most part, the Financial Statements of MDAs have been submitted to AUGD for external audit within 10 months of the end of the fiscal year for the past three fiscal years. Some MDAs take more than 12 months to submit their financial statements after end of the fiscal year.
(iii)Accounting standards used	C	C	Assessors could not find any justification supporting the fact that MDAs were using a better reporting format, consonant with IPSAS back in 2007. International accounting standards have not yet been applied accordingly. The financial statements of MDAs are presented in a consistent format but the national standards used in a variety of systemic issues are not explained nor are certain accounts addressed properly by MDAs in the 2009/10, 20010/11 or 2011/12 financial statements.

	2007 Score	2012 Score	Brief Explanation and Changes
PI-26. Scope, nature and follow-up of external audit	C+	NS	AUGD and OCG independence remain limited in practice while their effectiveness is hampered by the absence of a systemic approach to address their findings by the MOFP. Both the Auditor General and the Contractor General Reports evidence wide spread breaches, no application of sanctions and absence of a systemic follow-up.
(i) Scope/nature of audit performed (incl. adherence to auditing standards)	B	A	All central government entities are audited annually and a sample of agencies and public bodies (risk based). A full range of audit is now performed, including certification, compliance (risk based), performance, IT and special audits. The audit planning and the engagements follow procedures and templates developed in keeping with the INTOSAI standards. The work is thus more systemic.
(ii) Timeliness of submission of audit reports to the legislature	C	NS	Although improvement in complying with the timely submission of financial statements by MDAs supporting the Auditor General annual certifications has been evidenced, delays are still significant with a backlog to clear. The Auditor General tables, by law, its Annual Audit Report in December of the fiscal year ending 31st March. As the assessors were not able to gather useable statistics on the submissions of Departments' Appropriation Accounts and certifications by Auditor General, for the period of FY 2009/2010 to FY 2011/2012, NR has been applied.
(iii) Evidence of follow-up on audit recommendations	B	C	Although there is evidence of follow up on recommendations by the Auditor General office, leading to some corrective measures, these are limited to compliance issues that are repeatedly found and reported. There is no systemic approach by the MOFP and AO to address the issues with a view to terminate their occurrence. Progress has been made, but has not yet impacted on the effectiveness of the function.
PI-27 Legislative Scrutiny of the Annual Budget Law	B+	D+	The amendment to the FAA act with the Fiscal Responsibility Framework has significantly broadened the scope of the budget documentation presented to the Parliament. However the timing of the submission has not changed and does not allow adequate time during the previous year and before the start of the new fiscal year for analysis, debate and a response. The scope of the scrutiny, the clarity of rules for legislatures review and supplementary budget are all tallying with the highest benchmarks.
(i)Scope of the legislature's scrutiny	B	A	The legislature reviews fiscal policies on the basis of the macroeconomic framework, for a period of three years, the fiscal responsibility statement of the Government and how its policies and measures will permit attaining the fiscal responsibility targets, the

	2007 Score	2012 Score	Brief Explanation and Changes
			debt management strategy, the impact of tax expenditure and the estimates of revenues and expenditures.
(ii) Extent to which the legislature's procedures are well-established and respected	A	A	The procedures are established in the Standing Order, and the practices of the House and the Senate are well enshrined. Though appearing positive it has reduced the scope of review.
(iii)Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	B	D	The budget documentation is presented to Parliament at the end of the current fiscal year and during the first month of the new fiscal year. The submission begins with the estimates of expenditure, then estimates of revenues and the fiscal policy paper, not allowing an informed debate at each stage of the budget debate or an integral debate with all transversal elements addressed at once. As the submission is usually after the start of the new fiscal year, there is a sense of a compulsory exercise on the part of the House. This directly impedes the role of the legislature, and the extent of its financial scrutiny, especially in regards to the new Fiscal Responsibility Framework that implied significant changes to the role of the legislature in reviewing the budget documentation (formulation – fiscal framework and measures- and preparation - estimates).
(iv) Rules for in-year Amendments to the budget without Ex-ante approval by the legislature.	B	B	Clear rules are specified in the FAA Regulations. They are adhered to by the Executive though the limits are not set by nature and extent of amendments. Administrative re-allocations are limited and require approval of the Financial Secretary. Virement rules appear to be usually respected.
PI-28. Legislative scrutiny of external audit reports	C+	C+	There is no change to the situation. The PAC carries out its duty as in 2007 while sanctions and corrective measures are not applied.
(i) Timeliness of examination of audit reports by legislature (for reports received within the last three years)	C	C	The Public Accounts Committee meets through the year and reviews and debates the Auditor General's Annual Report. It calls to account the AOs and reports to the House before the end of the year, that is, the year after the Auditor General's report was submitted.
(ii) Extent of hearings on key findings undertaken by legislature	B	A	The PAC calls to account all the AOs and CEOs who have not resolved outstanding issues with the Auditor General, according to matters arising in the audit reports. It does thus cover most of the entities with adverse or qualified opinion. This is thorough, not limited and well relayed into the media. Sessions are public.
(iii) Issuance of recommended actions by the	C	C	Sanctions and corrective measures addressing systemically the recurrence of breaches

	2007 Score	2012 Score	Brief Explanation and Changes
legislature and implementation by the executive			do not appear to be taken.
D-1 Predictability of Direct Budget Support	B+	D+	Predictability of direct budget support has deteriorated over time due to adverse economic conditions and weak coordination with MOFP budget preparation.
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the Government submitting its budget proposals to the legislature (or equivalent approving body).	B	A	Actual disbursements of direct budget support improved considerably over the past three years. In 2007, only in one fiscal year did the direct budget support out-turn fall short of the forecast by more than 25%. In 2012, such a shortfall was reached in two of the past three fiscal years.
(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	A	D	In 2012, evidence indicates that EU does not make any provision of budget estimates on a quarterly basis, so there is no extent to which in-year disbursements can be used to monitor quarterly compliance.
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	C	D+	Extent of budget coordination and reporting between most donors and the MOFP has worsened over time. Discrepancies in reporting are a common feature, and reconciling of external projects data does not take place on a regular basis with major donors.
(i) Completeness and timeliness of budget estimates by donors for project support.	C	C	No change in score.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.	C	D	Most donors do not provide quarterly reports within two months of the end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget.
D-3 Proportion of aid that is managed by use of national procedures	D	C	Conservative figures suggest that 50% of aid funds to the central government are managed through national procedures, albeit this varies amongst the large donors.
(i) Overall proportion of aid funds to central government that are managed through national procedures.	D	C	

Annex 2: Achievement on Fiscal Discipline, Efficient Service Delivery and Strategic Allocation of Resources

	Credibility of the Budget	Comprehensiveness and Transparency	Policy based budget	Predictability and Control	Accounting, Reporting and Recording	Oversight and Scrutiny
Fiscal Discipline: not yet achieved, foundations established	Budget credibility is not achieved; largely due to weaknesses in the predictability and control, exhaustiveness of the budget, accounting and recording, and scrutiny and oversight. The budget formulation and preparation processes do not support fiscal discipline.	Unreported Government operations still pose significant limitations to transparency and exhaustiveness of the budget. Fiscal oversight of public bodies has improved.	Cost corporate plans translate Vision 2030 and sectoral objectives, but fiscal constraints do not allow using them as a basis for budgeting. Macro-fiscal forecasts remain characterized by revenue targets that are not achieved unless significant level reforms are done, while possibly underestimating expenditures necessary to meet service delivery levels expected unless significant efficiency gains are made.	Revenue predictability and control is undermined by the legal framework and lack of enforcement of sanctions. Systems are weak as revealed by internal audit. Expenditure predictability is limited without trust in warranting system and absence of commitment control. Expenditure control is weakened by the control and governance frameworks.	Unreliable data, delayed information does not permit ensuring budget credibility.	The nexus Auditor General, Contractor General and Public Account Committee is not working optimally. Though Accounting Officers are called to account and adhere to recommendations made, correctives measures are not evidenced.

Efficient Service Delivery: require fiscal discipline to be achieved	Budget credibility impacts how managers plan and execute: without budget credibility, managers are forced to use other tools for delivering services that may not allow being efficient (arrears, delayed payment, uncompetitive procurement, use of recurrent budget for payroll).	Unreported Government operations identify inefficiencies in the system.	Planning of multi-annual projects is still weak, leading to significant variance in budget outturns for projects. Variances refer mostly to underperforming projects. Unless planning is robust and reflected in the budget process, procurement plans and cash projections, efficiency is limited.	Payroll and procurement weaknesses and lack of predictability are directly reducing efficiency.	Limitations to the data quality do not permit managing resources optimally during budget execution.	The recommendations of the Auditor General and the Contractor General can serve to create a basis for significant efficiency gains, but this is currently not done. The Public Administration and Appropriations Committee is a mechanism that may add scrutiny and exercise demand on more efficient implementation of the budget.
Strategic Allocation of Resources	Budget credibility is a pre-requisite for strategic allocation of resources.	Such operations limit the possibility to allocate resources efficiently as information is unavailable.	Strategic allocation is predicated upon the achievement of fiscal discipline and efficient service delivery. Though the Vision 2030 and its sectoral plans provide a basis for strategic allocation, the execution is impaired.	Predictability and control in budget execution is a pre-requisite for strategic allocation of resources.	Data quality and timeliness on budget execution is a pre-requisite for strategic allocation of resources.	With the Fiscal Responsibility Framework, the Parliament receives more information and may play a greater role, though it has limited capacity and the current budget formulation cycle does not allow timely inputs, confining its role to approval.

Annex 3: Methodological Note to the Assessment of PI-7

To report on the extent of unreported Government operations, both budgetary activities and extra-budgetary activities have been explored below. A table has been constructed to integrate available evidence and measure the size of unreported Government operations (compared to total expenditures).

Treatment of Bank of Jamaica Losses: according to the latest IMF staff report, a safeguards assessment of the Bank of Jamaica (BOJ) was completed in 2010 under the 27-month Standby Arrangement. While the assessment found adequate external audit and financial reporting frameworks it reported that the legal structure of the BOJ required strengthening to increase its operational independence and autonomy (in practice, the Public Bodies Management Act has been amended to clarify that BOJ does not need Minister of Finance authorisation to enter in debt for monetary policy). Furthermore, the assessment identified areas for improvement within the Internal Audit Division and in relation to the effectiveness of the bank's governance and oversight. The BOJ concurred to these findings. This corroborates the 2007 PEFA findings that reported transparency in the treatment and reporting of BOJ losses. The table below presents the losses recorded for the last two years. As these losses are not yet settled by Government, but are reported, they are considered "reported".

Status of settlement of losses by Bank of Jamaica

Year	Losses	Status
2010	(11,871,571)	Loss not yet settled by Government
2011	(1,495,390)	Loss not yet settled by Government

Source: Bank of Jamaica.

Treatment of bank accounts: the Government has closed 158 bank accounts in 2012, recouping J$333,969 million. A significant portion of bank accounts (approximately 50%) were opened by schools around the country. It has focused on the establishment of a real Treasury Single Account (Central Treasury Management System). Though this is still in progress, it will make unreported expenditures of funds directly managed by ministries unlikely. As of now, the Government operates a de-facto single treasury account via the commercial banks using real time banking data. This means that when funds are expended the transaction is shown in the bank statements, which the Ministry of Finance monitors. This makes unreported expenditure of directly managed Ministry accounts quite difficult and also unlikely.

Payment to Public bodies (quasi-fiscal entities or parastatal bodies): Since the 2007 PEFA, the Government has initiated a divestiture programme that has seen the sale of Air Jamaica and the Sugar Company of Jamaica. There are other divestitures planned. As reported under PI-9, the oversight of the public bodies is thorough and has been enshrined in an amendment of the Public Bodies Financial Management Act. The MOFP maintains a full list of public bodies and executive agencies. Its Public Enterprise Division monitors all Self-Financing public bodies, while the Public Expenditure Division and the Parent Line Ministry oversee the partially- and fully-Funded ones (reported under the central government budget).

<u>Appropriations-in-Aid (Internally Generated Revenues)</u>: in the forms of schools charges and other charges lifted by service delivery levels (exception of those raised as at parishes levels recorded by the parishes), were concerning in the PEFA 2007. Form FS-18 is the requisite template for reporting AIA on monthly basis. The Auditor General and the Ministry of Education reported concerns that the level of monitoring and control remained weak, while payment arrears increased, increasing pressure to use the AIA without due reporting. The MOE indicated that school fees were by law not reported under the budget though audited by their Internal Audit Unit and overseen by the Parents' Association. Given the law and the monitoring, IGF has to be reported and the portion that is considered marginal.

<u>Arrears</u>: Arrears are a form of unrecorded and unreported debt. They accrue when Government is not paying its liabilities (certified deliveries of goods, works and services) within the specified period by law, 90 days in Jamaica. The accounting basis in Jamaica's central government is now cash, a change of policy since 2007: this arose from the abandonment of the Period 13 practice that allowed payment of liabilities accrued in year N during the first three months of year N+1 but booked as year N. It is generally accepted that this has eased the reporting for the departments (improved timely submission of financial statements). As the accounting is cash basis, unless a payment voucher is raised, or a tracking of commitment (both requisition and order stages) and certified goods, works and services exist, arrears cannot be reported.

Currently, FINMAN records commitment requisitions (corresponding to funds reservation), a necessary step to use the warrants issued by Public Expenditure Division, but as the basis is offline it is not clear whether all necessary requisitions are entered. Further FINMAN does not record purchase orders. Only liabilities (certified invoices) tied to a requisition are entered. The arrears stock and accruals presented in PI-4 speak to the difference between warrants issued and funds actually available (referred to as unfunded warrants). However, it is now clear, though not measured, that a significant amount of commitments delivered during year N (constituting a liability) is now paid during year N+1. This places both pressure on the budget, the policy intent and less confidence in what the budget out-turns really mean. This is done using the "Vote on Account Budget" while the new budget is still being approved. As such it constitutes an unreported Government operation. The Accounting, Financial Systems Division has prepared a new circular that sets a clear basis for all stages of commitment, it will form an unambiguous basis for control by the internal audit units. As outstanding commitments (unreported orders) can be entered for the next year, and are not taken into account during budget preparation, they represent a direct reduction of the next year fiscal space. Note that line ministries met and their PFOs confirmed the existence of accrual of arrears, thus arising above budget voted and from unfunded warrants. This goes to the tune of 5 to 8% a year.

Public Private Partnerships: concessions and other arrangements are reported and come under the purview of the Contractor General, and are thoroughly reviewed and publicized.

Bridging loans: According to data and interviews held with the Debt Management Unit, the only equivalent to a bridging loan was in replacement of a market operation by a commercial loan, to avoid using reserves. This operation, with a local commercial bank, is reported in the debt operations and statistics. According to Bank of Jamaica, that monitors the commercial banks position weekly, bridge loans are not utilized.

Debt: The debt situation of Jamaica is characterized by a high debt to GDP Ratio, a high debt service (amounting to 40% of the central government budget in 2012/13). Under the IMF staff monitoring programme, Jamaica has made efforts to get a handle on its debt. It has introduced CS-DRMS for its back office. Despite this undertaking, both the Annual Report of the Auditor General and the DMU have confirmed that discrepancies exist between the data held and what is really accrued and owed. This poses a significant risk and has led the DMU to conduct external debt reconciliation in 2012. It does not consider however necessary to undertake one for domestic debt, being mainly in the form of market issuances. There is, in addition, a treatment issue of the debt accrued by PetroCaribe amounting to 12% of GDP that the IMF has included in its reports, and though this is included in the public bodies estimates of revenue and expenditures, it is not included in the Stock if Public and Publicly Guaranteed Debt. The practice of Letter of Comforts was stopped prior to 2007 and all financial institutions lending to Jamaican public sector entities were reminded starkly of the law that requires approval of any loan or guarantee to such an entity by the Minister of Finance.

Revenues (Tax Waivers and Tax Refunds): both issues are treated under PI-13 and PI-15. Tax waivers constitute Government operations in the sense of tax expenditures. The amended FAA Act (section 48) provides since 2010 for tax Expenditures to be reported to Parliament. In addition, tax waivers are supposed to be published when posted by the Ministry of Finance (though, the Auditor General report has revealed cases where Commissioners grant waivers above their delegated limit and waivers granted by the Minister of Finance were not gazetted. The issue of tax expenditure has gained greater relevance in recent years, and tax expenditures are now reported in a tax expenditure statement. However tax refunds experience difficulties as they are not done during the year of receipt and tax refunds arrears (stocks) accumulate. As such they constitute a financing item, while actual tax refunds done cannot be attributed to the current fiscal year, constituting a payment. Tax refunds are to the tune of 5 to 6% of total expenditures per year while Tax Refunds Arrears reach approximately 10%. They are not considered[40].

Special Funds: All special funds such as the Parochial Revenue Funds or the Road Maintenance Fund are reported into the budget (revenue and expenditures) and specific financial statements are prepared.

[40] Clarifications on whether tax refunds and tax refunds arrears should be incorporated into the calculation was obtained from PEFA Secretariat in response to GOJ comments and queries.

Calculating percentage of Unreported Government Operations

Fiscal Year	**2009/2010**	**2010/2011**	**2011/2012**
Budget Expenditure (in million J$)	***216,526***	***239,762.00***	***263,713.00***
Off budget items			
Payment Arrears (unrecorded orders)	Unreported	Unreported	Unreported
Tax Waivers (Values granted by Ministerial decision)	Unknown	Unknown	Unknown
Tax Waivers (Values granted through Appeal process)	0.18%	0.94%	0.30%
Unreported as % of total budget	***Unknown***	***Unknown***	***Unknown***

Sources: MOFP, TAJ; and Customs Department.

Annex 4: Officials and other stakeholders consulted/visited

PLANNING INSTITUTE OF JAMAICA (PIOJ)

Davis	Dianne	EU Unit Manager
Dunn	Alicia	Project Economist
Harper-Griffiths	Monique	Senior Project Economist
Lumsden	Richard	Programme Manager, Plan Development Unit (Vision 2030)
Scott	Barbara	Director, External Cooperation Management

TECHNICAL ASSISTANCE TO THE NAO

Harris	Hugh	Senior Economist
Mathieu	Paul	Team Leader /Senior Economic Advisor

OFFICE OF THE CABINET

Brown	Victor	Business Process Re-Engineering Specialist, Public Sector Transformation Unit
Fairclough	Jean	Chief Technical Director, Cabinet Support and Policy Division
Grey	Shawn	Principal Director, Cabinet Support and Policy Division
Johnson	Marjorie	Chief Technical Director, Public Sector Modernization Division
Morris	Sheryl	Performance Analyst
Sinclair- McCalla	Patricia	CEO, Public Sector Transformation Unit

MINISTRY OF FINANCE and PLANNING (MOFP)

Adams	Nadia	Procurement Manager
Atkinson	Charlene	Legal Officer, Executive Office
Bent-Dover	Lisa	Senior Budget Analyst, Public Expenditure Division
Black	Dian	Director, Securities Management, Econ. Div.
Bloomfield	Evelyn	Director, Budget
Campbell	Suzette	Audit Coordinator, Internal Audit Directorate
Campbell	Carolyn	Unit Head, Production Unit, Public Expenditure Division
Clarke	Keisha	Budget Analyst (Acting), Public Expenditure Division
Copeland	Sonia Dr.	Director Policy Planning & Development (Acting)
Cowan-Fuller	Shakierah	Senior Technical Advisor, Executive Office
Dacres	Rochelle	Unit Head, Physical Infrastructure Unit, Public Expenditure Division
Daniel	Harold S.	Policy Planning & Development Division
Dressekic	Sonia	Director for Back Office, Debt Management Unit, Econ. Div.
Edwards	Berome	Head of Financial System, Procedures and Accounting
Faulknor	Marcia	Unit Head, Social Infrastructure Unit, PEX

Folkes	Pamella	Deputy Financial Secretary, Taxation Division
Guy-Walker	Joan	Human Resource Management
Haase	Carol	Director Research and Establishment, Public Sector Establishment Division
Henderson	Valerie	Consultant to Public Sector Establishment Division
Hew	Barbera	Senior Director, Public Expenditure Division
Hinds-Brown	Millicent	Director Computerisation, Public Sector Establishment Division
Jarrett	Lorris	Deputy Financial Secretary, , Public Expenditure Division
Jones	Anya	Finance Division
Maragh	Cecile	Senior Director, Procurement and Assets Policy Unit, Public Expenditure and Policy Coordination Division
Maxwell	Molyn	Senior Macro-Economist, Fiscal Policy Management Unit
McFarlane	Charlton	Policy Planning & Development Division
McIntosh	Dianne	Director General, International Cooperation
McLaren	Pamella	Senior Director, Debt Management Branch, Econ Div.
McLean	Grace	Financial Management Specialist
Morrison	Carlene	Senior Director, Public Expenditure, Public Expenditure Division
Morry	Richard	Chief Macro Economist, Fiscal Policy Management Unit
O'Connor	Carlene	Unit Director, Public Expenditure Division
Parkes	Lois E.	Office of the Services Commissions
Perriel	Sheena	Strategic Planning Unit
Phillips	Lorna	Chief Technical Director (Acting), Public Sector Establishment Division
Ramsey	Madge	Director, Tax Policy Review Unit
Rhoden	Ann-Marie	Deputy Financial Secretary, Public Expenditure Division
Ricketts	Suzette	Director, Compliance Regulatory, Procurement and Assets Policy Unit
Robinson	Stacie	Senior Budget Analyst, Public Expenditure Division
Russel Forbes	Tiva	Financial Analyst
Taylor	Lenworth	Senior Director, Public Enterprise Division
Trowers	Shauna	Director Tax Policy Development Unit(Acting), Taxation Division
Vaughn	Sonia	Director Asset Management Unit(Acting)
Williams	Courtney	Senior Director, Fiscal Policy Management Unit, Econ. Div.
Williams	Maurice	Director, Tax Relief Unit, Taxation Division

TAXPAYER APPEAL (A Division of the MOFP)

Beckles	Leighton	Taxpayer Appeals
Foreman	Everald	Taxpayer Appeals
Kelly	Andrea	Deputy Commissioner Taxpayer Appeals
Staple-Chambers	Deloree	Commissioner Taxpayer Appeals

TAX ADMINISTRATION JAMAICA (A Department of the MOFP)

Ashton	Antroy	Dept Head, Business Services Solutions
Brown	Rosalee	Deputy Commissioner General - Operation
Deslandes	Devon	Transitional General Manager Programmes Unit
Frater	Terrence	Deputy Commissioner General - Management Services
Freckleton	Phillip	Dept. Head, Operations and Support Services Division
Lindo	Claude	Dept. Head , Operations and Support Services Division
Miller	Norris	Technical Specialist
Powell	Ainsley	Commissioner General (Acting)
Reid	Sheryl	Project Manager, Programmes Management Division
Rookwood	Grace	Deputy Commissioner General for Legal Support
Waugh	Kareen	Transitional General Manager Programmes Unit
Wright	George	IT Specialist

JAMAICA CUSTOMS DEPARTMENT(A Department of the MOFP)

Daley	Marion	Asst. Comm. Inter'l Trade & Ind. Liaison Unit
Edwards	Phillips	Director Finance
Munoz	Norman	Assistant Commissioner, Value Post Audit
Reese	Richard (Major)	Commissioner
Wiggan-Chambers	Patricka	Director, Executive Services

BANK OF JAMAICA (An agency under the MOFP)

Lue Lim	Gail	Head of Fiscal and Economic Programme Monitoring Department
Longmore	Rochelle	Senior Economist Fiscal and Economic Programme Monitoring Department

FISCAL SERVICES LIMITED (An agency under the MOFP)

Edwards	Douglas	Senior IT and Financial Services Specialist

MINISTRY OF EDUCATION

Banton	Sonia	Budget Director
Bernard	Deanroy	Director, Post Audit & Compliance Unit
Carvalho	Marcia	Principal Finance Officer
Gentles-McCallum	Audrey	Chief Internal Auditor
Sinclair	Andrew	Director, Accounting Services
Spence	Claudia	Senior Education Officer
Thompson	Courtney	Director, Accounts
Watson	Hedda	Senior Education Officer

NATIONAL EDUCATION TRUST

Matalon	Paul	Executive Director

MINISTRY OF TRANSPORT, WATER and HOUSING

Bruce-Williams	Paulette	Actg. Chief Internal Auditor
Hudson-Sinclair	Deidrie	Acting Corporate Planner
Mills	Barrington	Principal Finance Officer
Nicholson	George	DTM
Stephens	Richard	Senior Management Accountant
Wright	Georgette	Actg. Snr. Performance Monitoring Officer

NATIONAL WORKS AGENCY

Creary	Maxine	Chief Internal Auditor
Grant	Sandra	Manager, Management Accounts
Nesbeth	Michele	Acting Director, Human Resources

MINISTRY OF HEALTH

Adams	Nadia	Procurement Manager
Bloomfield	Evelyn	Director, Budget
Collins	Charlene	Permanent Secretary's Office
Copeland	Sonia Dr.	Actg Dir. Policy Planning & Development
Crawford	Tazhmoye	Policy Planning & Development Division
Daniel	Harold S.	Policy Planning & Development Division
Dixon	Jean Dr.	Permanent Secretary
Guy-Walker	Joan	Human Resource Management
Jones	Anya	Finance Division
McFarlane	Charlton	Policy Planning & Development Division

HOUSES OF PARLIAMENT COMMMITTEES:
Public Accounts Committee (PAC) and
Public Administration & Appropriations Committee (PAAC)

Bailey	Camesha	Committee Clerk, PAAC
Bartlett	Edmund	Chairman, PAAC and Member, PAC
Buchanan	Hugh	Member, PAC
Campbell	Dayton Dr.	Member, PAAC
Chang	Horace Dr.	Member, PAC and PAAC
Douglas-Beckford	Rosemarie	Committee Clerk, PAC
Ffolkes-Abrahams	Sharon	Member, PAC
Jackson	Fitz	Member, PAC and PAAC
Phillips	Mikael	Member, PAAC
Pryce	Raymond	Member PAC and PAAC
Robinson	Julian ,	Member, PAC
Shaw	Audley	Chairman, PAC and Member, PAAC

AUDITOR GENERAL'S DEPARTMENT

Champagnie	Aurich	Director, Economic Assessment
Cooper	Icilyn	Senior Director

Francis	Oliver	Director, Audit
Hutchinson	Maxine	Divisional Director, Audit
Lewis	Carolyn	Divisional Director
Mason	Cyril	Acting Divisional Director, Audit
McLeod	Gervaise	Human Resources Director
Munroe-Ellis	Pamela	Auditor General
Reynolds	Arlene	Acting Director, Audit
Rose	Richard	Functional Coordinator, Statement Audit
Williams	Hodine O.	Assistant to Auditor General
OFFICE OF THE CONTRACTOR GENERAL		
Beresford	Craig	Senior.Director Operations, Corporate Comm. and Special Projects
Jones-Hall	Joeth	Director Corporate Services
Wright	Sashein	Special Projects, Asst. to CG, Comm.Officer and Special.Investigator
OFFICE OF THE SERVICES COMMISSION		
Parkes	Lois (Dr.)	Chief Personnel Officer
Crump	Antonio	Financial Controller
MINISTRY OF LOCAL GOVERNMENT and COMMUNITY DEVELOPMENT		
Bauld	Clover	Budget Officer
Brown	Stafford	Internal Audit Unit
Young	Carl	Financial Strengthening
DELEGATION OF THE EUROPEAN UNION		
Alonso-Isabel	Pedro	Head of Economic and Social Development Section
Amadei	Paola	Ambassador, Head of Delegation
Menghini	Alberto	Senior Economist
Orus-Baguena	Jesus	Head of Operations
Zelgave	Ilze	Economist
INTER-AMERICAN DEVELOPMENT BANK		
Morris	Sheryl	Performance Analyst
Watson	Broderick	Financial Management Specialist
Williams	Graham	Financial Management Specialist
Witt	Matthias	Public Finance Specialist
INTERNATIONAL MONETARY FUND		
Leon	Gene	Resident Representative
UNDP		
Stewart	Machel	Senior Expert

DFID

Thompson	Claudia	Senior Expert

USAID

Burrowes	James	Resident Representative

CIVIL SOCIETY

Bernard	Victoria	Institute of Chartered Accountants of Jamaica
Brown	Dennis	Institute of Chartered Accountants of Jamaica
Campbell	Collette	Small Business Association of Jamaica
Derboy	Meredith	Small Business Association of Jamaica
Hamilton	Rosalea. Dr.	The Micro, Small and Medium Enterprises (MSME)Alliance
Marshall	Lincey	Institute of Chartered Accountants of Jamaica
Norton Coke	Ethlyn	Institute of Chartered Accountants of Jamaica
Vassell	Prunella	Institute of Chartered Accountants of Jamaica

Annex 5: Documents consulted

Titles	**Date**
Auditor General's Annual Report on the Appropriation and other Accounts of Jamaica for the Financial Year ended 31st March 2011	December 21, 2011
Auditor General's Department Strategic Business Plan 2012-2015	March 2012
Auditor General's Department Report 2010 Report (1) on the Appropriations and other accounts of Jamaica for the financial year ended 31st March, 2010	December 24, 2010
Auditor General's Department Report 2010 Report on the Appropriations and other accounts of Jamaica for the financial year ended 31st March, 2010	December 24, 2010
Auditor General's Department Information Systems Review of the Transport Authority	April 2012
Auditor General's Department Performance Audit Report on The Fisheries' Division on the Ministry of Agriculture	January 29, 2009
Auditor General's Department Special Audit Report of the Road Maintenance Fund (RMF)	Extract from Minutes of RMF Emergency Board Meeting, May 6, 2010
Auditor General's Department Performance Audit Report of the Ministry of Labour and Social Security Strategy in Preventing, Detecting and Investigating Benefit Fraud	June 2011
Auditor General's Department Review of Special Report Petroleum Corporation of Jamaica	June 17, 2010
IMF - for Agenda - Jamaica—Staff Report for the 2011 Article IV Consultation	May 16, 2012
IMF – for Agenda - Jamaica—Staff Report for the 2011 Article IV Consultation—Informational Annex	May 16, 2012
Closing Budget Debate Presentation to Parliament – Hon. Audley Shaw, MP Minister of Finance and the Public Service	May 11, 2011
Budget Debate 2012-2013 – Dr. the Hon Peter Phillips, MP Minister of Finance & Planning	May 24, 2012
Jamaica Memorandum on the Budget 2011-2012	28th April, 2011
Budget Cycle – Budget Process, PEX Division	June 2011
Budget Process and Mechanisms, PEX Division	July 2010
COA Screen – Stewarts Auto Sales	
Government of Jamaica Object Code	
Lesson 12 The Corporate Plan & Programme Budgeting	
FAA Act Regulation | Objects & Reasons | Cases	
JAMAICA (CONSTITUTION) ORDER IN COUNCIL, 1962	

Titles	Date
Central Treasury Management System Meeting	June 27, 2012
Central Treasury Management System Meeting	May 30, 2012
Central Treasury Management Systems Report	March 2012
Central Treasury Management System Presentation to Staff	July 2012
Central Treasury Management System Executive Summary	July 2012
Central Treasury Management System Executive Summary	May – July 2012
Medium Term Debt Management Strategy	2011/2012 - 2013/2014
Medium Term Debt Management Strategy & Annual Borrowing Plan	2012/2013 – 2014/2015
Bill to Further Amend FAA Act	March 22, 2010
The Financial Administration & Audit Act – Arrangement of Sections	1959/1969/1992/1997
GOJ Fiscal Policy Paper FY 2011/2012	28th April, 2011
GOJ Fiscal Policy Paper FY 2012/2013	24th May, 2012
Bill to Amend Public Bodies Management Accountability Act	22 March, 2010
Jamaica Local Government Profile 2011/2012	2011-2012
THE LOANS (LOCAL AUTHORITIES) ACT - Arrangement of Sections	17th February, 1958
The Parish Councils Act - Arrangement of Sections	7th August, 1901
The Parochial Rates and Finance Act - Arrangement of Sections	29th June, 1900
THE ROAD TRAFFIC ACT - Arrangement of Sections	1st April, 1938
The Kingston & St. Andrew Corporation Act - Arrangement of Sections	6th June, 1931
THE MUNICIPALITIES ACT - Arrangement of Sections	22nd May, 2003
A Status Report on Government At Your Service: Modernisation Vision and Strategy Paper - Medium Term Action Plan (MTAP) 2008-2012	November 2009
Jamaica Joint Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment (CPAR)	April 12, 2006
24Final Report on the PEFA Assessment	May 2007
Classeur 2 Ministries actual 2008/09-2009/10- 2010/11	
Outturn Ministries compared to original approved 2008/2009– 2010/2011	2008/2009 – 2010/2011
GOJ Payables April 2010 – March 2012	
Ministry of Local Government and Community Development KSAC Submission of Budget Corporate and Operational Plan F/Y 2012-2013	January 24, 2012
List of revenue sources for local authorities parochial revenue fund unit	
Ministry of Local Government - Local authorities final accounts report	2009/10 – 2011/12
GOJ Payables April 2010 to March 2012	August 31, 2011
List of revenue sources for local authorities parochial revenue fund unit	

Titles	Date
Public Bodies Management and Accountability (Amendment) Act, 2011	16th September, 2011
Cabinet Note Development Bank of Jamaica Annual Report March 31, 2011	June 2012
Half-Yearly Report Selected Public Bodies September 2011	September 2011-2012
PBMA Act 2011 - ARRANGEMENT OF SECTIONS Act 30 of 2001| Act 12 of 2003 | 7 of 2010 | 20 of 2011	
Public Bodies quarterly compliance report 2009-2012	
Public Bodies (PBS)	
List of Autonomous Government and State owned Enterprises etc.	August 15, 2012
The Public Bodies Management and Accountability Act arrangement of sections	
GOJ Internal Audit Manual	May 31, 2002
Ministry of Finance & Planning Submission of Internal Audit Quarterly Reports	November 7, 2011
An Act to amend the Financial Administration an Audit Act	24th August, 2009
Jamaica Gazette Supplement Financial Administration Audit Act	April 12, 2011
Jamaica Community for PEFA Paper on the internal audit community of the Central government of Jamaica	August 2012
GOJ Internal Audit Quality Assurance and Improvement Programme Policy and Procedures Manual	Revised March 2012
Auditor General's Department Performance Management and Appraisal System (Work Plan) Audit Plan for Statutory Audits, Special Investigation and Foreign Assisted Projects	Audit 2011/2012
Copy of Parish Councils Accounts Status	2012
Auditor General's Department Performance Management and Appraisal System (Work Plan) Statutory Audit Section 7	Audit 2011/2012
Minutes of Audit Planning Meeting for National Environment and Planning Agency (NEPA) held on 25 January 2012	25th January, 2012
National Environment and Planning Agency Materiality Calculations 2010/11	2010/11
Auditor General's Department Operational Plan 2008-2009	2008-2009
Auditor General's Department Operational Plan 2009/2010	2009-2010
Auditor General's Department Operational Plan 2010/2011	2010-2011
Auditor General's Department Organizational Chart	Revised
NEPA Preliminary Engagement Activities Procedures Checklist	March 31, 2010
NEPA Preliminary Engagement Activities Procedures Checklist	March 31, 2011
Office of the Contractor General 24th Annual Report	Jan.-Dec. 2010
GOJ Handbook of Public Sector Procurement Procedures	Nov 2008
GOJ Handbook of Public Sector Procurement Procedures Vol. 1 of 4 General Provisions	Revised October 2010
GOJ Handbook of Public Sector Procurement Procedures Vol. 2 of 4 Procedures for the Provision of Goods, General Provisions,	Revised October 2010

Titles	Date
General Services and Works	
GOJ Handbook of Public Sector Procurement Procedures Vol. 3 of 4 Procedures for the Provision of Consulting services	Revised October 2010
GOJ Handbook of Public Sector Procurement Procedures Vol. 4 of 4 Procedures for the Provision of General Insurance Services	Revised October 2010
Letter from OCG to FS PEFA Repeat Assessment Page 1	August 16, 2012
Letter from OCG to FS PEFA Repeat Assessment Page 2	August 16, 2012
NCC The Contractor General Act (Acts 15 of 1983 | 17 of 1985 | 1 of 1999)	12-07-16
GOJ Procurement Policy Statement	
GOJ Public Sector Procurement Policy (1)	November 2010
GOJ Public Sector Procurement Policy	November 2010
The Contractor General's Act (Acts 15 of 1983 | 17 of 1985 | 1 of 1999)	
Workshop Public Sector Procurement OCG and NCC	2006 November 20
EC Delegation Public Finance Management Annual Monitoring Report 2011	March 2011
PIOJ Consolidated Progress Report on Public Financial Management	February 2011
MTAP Progress Report Public Sector Modernization Report 2008-2012	January 2011
THE PUBLIC SECTOR MODERNISATION PROGRAMME: EVALUATION AND REDESIGN	June 2012
21st Century Government Service Decade of Excellence Ministry Paper # 56	September 2002
Tax Administration 2011/2012 Annual Review	2011/2012
Arrears Debt Stock Collection 2010-2012	September 3, 2012
Audit and Investigations Programme Work Plan F/Y 2012/2013	Revised June 19, 2012
Audit Operations Objection Detail Report April 2012	April 2012
Audit Operations Objection Detail Report July 2012	July 2012
Audit Operations Objection Detail Report June 2012	June 2012
Audit Operations Objection Detail Report May 2012	May 2012
Annual Audit Plan 2012 -2013 DRAFT	21-3-12
Customer Service & eBusiness Annual Plan 2012-2013 Revised	2012-2013
Customer Service & eBusiness Annual Plan 2012-2013 Revised 1	
TAJ - Standardization Procedures Debt Management Manual	
Debt Management Plan and Programmes FY 2012-2013	
Deregistration of Taxpayers summary by tax type as at August 8, 2012	August 8, 20112
Debt Management Operational Plan – 2012 Master Assumptions	
GENREV Statement 2009-2010	
GENREV Statement 2010-2011	
GENREV Statement 2011-2012	
Jamaica Annual Audit Table February 7	

Titles	Date
New Taxpayer Summary as at April 8, 2012	
TAJ Objection File Inventory Report (2) August 2012	August 2012
Taxpayer Audit and Assessment Department Objections Policy and Procedure Manual	
Refund Summary Report March 2011-2012 original format 4	December 6, 2011
Summary arrears by age, tax type, and return tax August 7, 2012	August 7, 2012
TRN Register as at September 3, 2012	September 3, 2012
Waiver posted by fiscal year as at September 21, 2011	September 21, 2011
Waiver Report 2009 – 2010 Taxpayer Appeals Department waivers processed 2010	
Summary – Small Tax classification as at July 4, 2012	July 4, 2012
Summary – Arrears by Age and Tax Type as at July 4, 2012	July 4, 2012
Summary – Arrears by Age and Tax Type and Return Tax as at July 4, 2012	July 4, 2012
Summary – Arrears by Organ Type as at July 4, 2012	July 4, 2012
Summary – Arrears by Sector as at July 4, 2012	July 4, 2012
Summary – Arrears by Tax Type and Run Month as at July 4, 2012	July 4, 2012
Summary by Arrears Class by Collectorate as at July 4, 2012	July 4, 2012
Summary by Range – Government vs Other as at July 4, 2012	July 4, 2012
Summary by Arrears Range as at July 4, 2012	July 4, 2012
Summary by Tax Type and Collectorate ALL Arrears as at July 4, 2012	July 4, 2012
Summary by Tax Type by Region and Collectorate ALL Arrears as at July 4, 2012	July 4, 2012
Summary by Tax Type by Region and Sector ALL Arrears as at July 4, 2012	July 4, 2012
Summary by Tax Type by Collectorate and Taxpayer Type ALL Arrears as at July 4, 2012	July 4, 2012
Summary Tax Arrears by Region as at July 4, 2012	July 4, 2012
Summary Tax Arrears by Tax Type as at July 4, 2012	July 4, 2012
Summary Tax Arrears by Tax Type as at July 4, 2012	July 4, 2012
Annual Audit Plan 2012 -2013	2012-2013
Audits Posted Summary by Posted Fiscal Year and Month as at June 6, 2012	June 6, 2012
Audits Posted Summary by Posted Fiscal Year and Tax Type as at June 6, 2012	June 6, 2012
Audits Posted Summary by Posted Fiscal Year as at June 6, 2012	June 6, 2012
Audits Posted Summary by Posted Fiscal Year, Month and Tax Type as at June 6, 2012	June 6, 2012
Audits Posted Summary by Posted Fiscal Year , Month, Tax Type and Trans Type as at June 6, 2012	June 6, 2012
Compliance Performance Report as at June 8, 2012	June 8, 2012
Deregistration of Taxpayer Summary by Tax Type as at June 5, 2012	June 5, 2012

Titles	Date
Filing rate for FY2010/2011 to 201 2011/2012 as at June 5, 2012	June 5, 2012
New Taxpayer Summary as at June 5, 2012	June 5, 2012
New Taxpayer Summary by Tax Type as at June 5, 2012	June 5, 2012
New Taxpayers by Assigned Office as at June 5, 2012	June 5, 2012
Payment of Arrears by Assigned Office of TRN as at June 5, 2012	June 5, 2012
Payment of Arrears by Received Office FY2010–FY 2012 as at June 5, 2012	June 5, 2012
Taxpayer Register by Region and Collectorate as at June 5, 2012	June 5, 2012
Green Paper of Tax Reform in Jamaica	August 17, 2011
US AID LPFM Jamaica Tax Benchmarking Study - Final	25th May, 2012
Summary Small Tax Balance Classification as at July 4, 2012 XX	July 4, 2012
Vision 2030 Jamaica National Development Plan	
Programme Budget Structure Lesson 12 The Corporate Plan & Programme Budgeting	
Discussion Paper on Refund from Revenue Collected by the Principal Receivers of Revenue (PRR) to Taxpayers and Importer	June 20, 2012
Office of the Contractor- General The 24th Annual Report Jan. – Dec. 2010	2010
Ministry of Finance Estimates of Expenditure Year Ending 31st March, 2011	2011
Ministry of Finance Jamaica Public Bodies Estimates of Revenue and Expenditure for the Year Ending March 2013 - **Presented**	May 2012
Ministry of Finance Jamaica Public Bodies Estimates of Revenue and Expenditure for Year Ending March 2013 - **Approved**	
Ministry of Finance Financial Statements and Revenue Estimates 2012/2013	May 2012
Ministry of Finance Jamaica Memorandum on the Budget 2012/13	24th May, 2012
Ministry of Finance Annual Performance Report April 2010-March 2011	24th May, 2012
Ministry of Finance GOJ Fiscal Policy Paper FY 2012/13	June 2011
GOJ Ministry Paper Medium-term Debt Management Strategy for the period 2012-2013 – 2014/2015	24th May, 2012
Office of the Cabinet – 21st Century Government Service Decade of Excellence Government at your Service Public Sector Modernisation Vision and Strategy 2002-2012, Ministry Paper No. 56	May 24, 2012
Auditor General's Department Strategic Business Plan 2012-2015	September 10, 2002
Auditor General's Department Annual Report on the Appropriation and other Accounts of Jamaica for the F/Y ended 31st March, 2011	March 2012
Auditor General's Department – Information Systems Review of the Transportation Authority	31st March 2011
Auditor General's Department – Information Technology Audit	April 2012

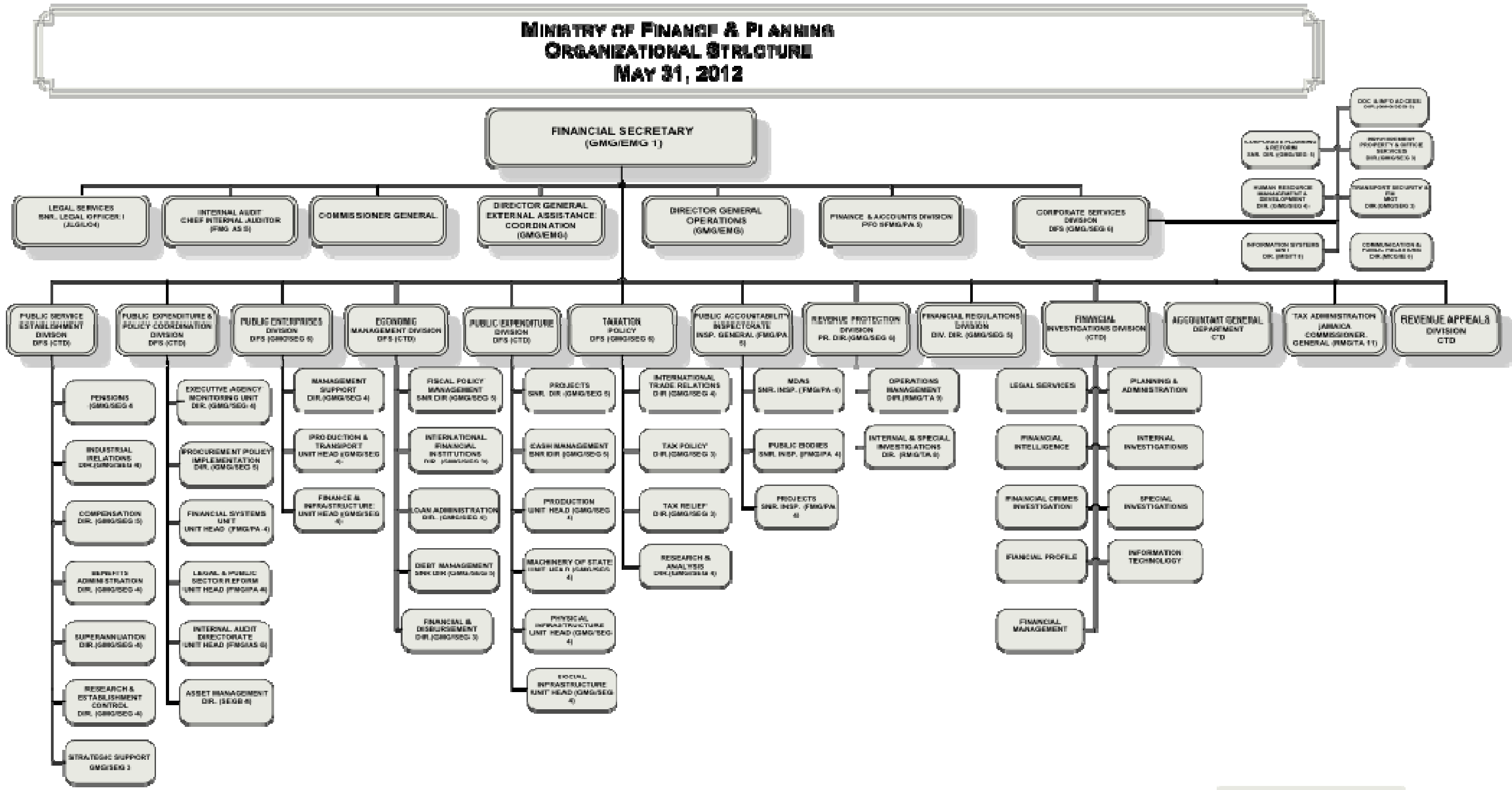
Titles	Date
Report of Fiscal Services Limited Review of General Computer Controls	
Accountant General Jamaica Warrant $'000 Warrant No. 6	August 2011
Tax Administration Jamaica – New Business Tax Kit	May 15, 2012
Ministry of Finance Economic Management Division Debt Management Branch PEFA Assessment Memo regarding documents attached	
Ministry of Finance letter to Midland Loan Services Reconciliation of External Debt Loan Portfolio	August 10, 2012
Ministry of Finance letter to Veronique Cryns Reconciliation of External Debt Loan Portfolio	August 3, 2012
Ministry of Finance letter to A Taguchi Reconciliation of External Debt Loan Portfolio	August 3, 2012
The Loan Act, 1964 Arrangement of Sections - Act 39 of 1964, 38 of 1968, 3 of 1977, 11 of 1998, 1 of 2002, 13 of 2004, 5 of 2007	August 3, 2012
Regulation Arrangement of Sections Cap. 18, Law 34 of 1953, Law 37 of 1959, 48 of 1969, 17 of 1970, 42 of 1979, Act 20 of 2011	
Ministry of Finance Debt Management Unit - Total Domestic Debt Outstanding by Loan Type – JDX Benchmark Notes	
Ministry of Finance External Debt Outstanding by Borrower Category – End of Period	July 17, 0212
Ministry of Finance External Debt Outstanding by Creditor Category – End of Period	
Ministry of Finance Jamaica: External Debt – Maturity Structure as at May 2012	
Ministry of Finance External Debt Interest Rate Composition as at May 2012 (US$mn)	
Ministry of Finance Currency Composition as at May 2012	
Ministry of Finance PL-17 (iii) External Loans and Guarantees issued by Central government FY 2011/112	
Ministry of Finance Debt Management Unit Government Guaranteed Loans (Internal) issued under the Approved Organizations and Authorities Loans (Government Guaranteed) Act as at 30th June, 2012 (Preliminary)	
Functional Classification of Expenditure – Recurrent 2009/10 to 2011/12	25th July, 2012
Ministry of Finance Research and Development Division (R&DD) Procedures for Establishment of Finman Accounting Operations	
Ministries and Departments Financial Statements Status Report for July 2012 – April – July 4 months – P1-18 (ii)	August 24, 2012
CTMS Budget 2012-2017 IDB Component 4 – 2012-2013	
Statement B - Revenue actually paid into the Consolidated Fund	

Titles	Date
Principal Bank Account as compared with Estimates of Revenue for Year ended 2010-03-31	
Statement B - Revenue actually paid into the Consolidated Fund Principal Bank Account as compared with Estimates of Revenue for Year ended 2011-03-31	
Statement B - Revenue actually paid into the Consolidated Fund Principal Bank Account as compared with Estimates of Revenue for Year ended 2012-03-31	
Statement C – Actual Expenditure from the Consolidated Fund Principal Bank Account as compared with Estimates of Expenditure for Year Ended 2010-03-31	
Statement C – Actual Expenditure from the Consolidated Fund Principal Bank Account as compared with Estimates of Expenditure for Year Ended 2011-03-31	
Statement C – Actual Expenditure from the Consolidated Fund Principal Bank Account as compared with Estimates of Expenditure for Year Ended 2012-03-31	
Ministry of Finance Ref No. 907/120 2009/10 Budget Call – 2009/2010 Budget	
Ministry of Finance Ref No. 907/120 2010/11 Budget Call – 2010/2011 Budget	January 6, 2009
Ministry of Finance Ref No. 907/120 2011/12 Budget Call – 2011/2012 Budget	January 18, 2010
Debt Sustainability Assessment – Jamaica Prepared by officials of the Government and the Central Bank of Jamaica with assistance from CARTAC January 9 – 12, 2012 **Draft Report**	January 28, 2011
Annual Operating Cycle MTEF/PIPS/PMES –Budget/Planning Timetable (including Vision 2030 Jamaica – MTF)	January 9-12, 2012
Ministry of Finance Budget call 2012/2013 Financial Year	
Primary Expenditure 2009/2010	April 13, 2012
Primary Expenditure 2010/2011	2009/2010
Primary Expenditure 2011/2012	2010/2011
Ministry of Finance: Allocations for Contingency 2009/2010 – 2011/2012	2011/2012
Economic Classification of Expenditure 2009/10 to 2011/12 - **Recurrent**	
Capital B PSIP 2010 - 2012 to 2012 - 2013	
Transport Authority of Jamaica 2011/2012 Risk Assessment	
Expenditure incurred without Budgetary Provision	
Ministers/Departments 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012	
Excess on Votes not covered by Parliamentary approval as shown by the Appropriation accounts received - Appendix D	
Risk Assessment Summary	
Risk Assessment Procedures	

Titles	Date
Risk/Control Matrix	
Ministry of Local Government PEFA documents submitted	
Portland Parish Council Statement of Revenue and Expenditure March 2012	August 10, 2012
Westmoreland Parish Council Statement of Revenue Collection (Recurrent) for the month of February 2012	May 15, 2012
St. Mary Parish Council 2011/2012 Estimates of Revenue & Expenditure	
St. Mary Parish Council Statement of Revenue and Expenditure for the month of March 2012	
Trelawny Parish Council Comparative Analysis for the twelve months ending March 31, 2012	
Hanover Parish Council Revenue & Expenditure Report for March 2012	
St. James Parish Council Income and Expenditure for twelve months ended March 31, 2012	
St. Thomas Parish Council Statement of total Expenditure for the month of March 31, 2012 – **Classified by Object**	
Manchester Parish Council Monthly Statement of Revenue and Expenditure for the month of March 2012	
Manchester Parish Council Statement of Total Expenditure for the period April 1, 2011 – March 2012	
Clarendon Parish Council Financial Statement for the month March 2012	
St. Catherine Parish Council Statement of Total Expenditure for the month of January 2012 – **Classified by Object**	
Portmore Municipal Council Statement of Receipts and Expenditure for the Financial Year 2011/2012	
St. Ann Parish Council Statement of Total expenditure for the period April 2011 – March 2012 – **Classified by Object**	
Kingston & St. Andrew Corporation Statement of Total Expenditure for the month of March 2012	
2010-2011 Jamaica Budget Statement XIV Revenue and Loan Receipts Summary	
2011-2012 Jamaica Budget Statement XIV Revenue and Loan Receipts Summary	
2012-2013 Jamaica Budget Statement XIV Revenue and Loan Receipts Summary	
Final text of the three revised indicators for the performance measurement framework – P1-2 Composition of expenditure out-turn compared to original approved budget	
Parish Councils Status of Accounts – Accounts 2012	
Status of Financial Statement Audits – 2009/10 2010/11 2011/12	
2012-2013 Jamaica Budget Head 0500 – Auditor General Budget 1 Recurrent	

Titles	Date
2012-2013 Jamaica Budget Head 7200 – Ministry of Local Government Budget 1 - Recurrent	
The Loans (Local Authorities) Act – Arrangement of Sections 480/1973 87/1986 480/1973	
The Parochial Rates and Finance Act – Arrangement of Sections 96/1998 87/2004	
The Road Traffic Act Arrangement of Section 88/2003	
The Municipalities Act Arrangement of Sections 87/2004	
The Contractor-General Act The Public Sector Procurement Regulations, 2008 Arrangement in Sections – Jamaica Gazette Supplement	
Cabinet Note Development Bank of Jamaica Limited Annual Report for Year Ended March 31, 2001	December 12, 2008
Cabinet Decision dated 07.11.05 No. 33/05	June 2012
Economic Classification of Expenditure 2009/10 to 2011/12	
Section 2 Trend in Public Procurement	
Statement 'D' Transactions in connection with the Public Debt for the period 31/03/2011 to 31/03/2012 – **External Debt**	28/08/2012
Statement 'D' Transactions in connection with the Public Debt for the period 31/03/2010 to 31/03/2011 – **External Debt**	12/09/2011
Statement 'D' Transactions in connection with the Public Debt for the period 30/04/2009 to 31/03/2010 – **External Debt**	11/06/10
Statement 'D' Transactions in connection with the Public Debt for the period 31/03/2011 to 31/03/2012 – **Domestic**	26/04/12
Economic and Social Survey Jamaica, Official Development Assistance Chapter, 2010, Draft Final, PIOJ	FY 2010/11
Economic and Social Survey Jamaica, Chapter (22) on Education and Training, PIOJ	FY 2010/11
Economic and Social Survey Jamaica, Chapter (23) on Health, PIOJ	FY 2010/11

Annex 6: Organizational Chart of the Ministry of Finance and Planning



Statistical appendix

Table 46: Summary of Public Sector Operations, FY 2008/09 – FY 2011/12 (In millions of Jamaican Dollars)

	2008/09	2009/10	2010/11	Prel. 2011/12
Revenue and grants	**276,200**	**300,193**	**314,558**	**322,458**
Tax revenue	250,663	267,442	280,295	291,407
Non-tax revenue	17,960	26,454	24,138	27,602
Grants	7,577	6,297	10,125	3,449
Expenditure	**352,229**	**419,476**	**393,041**	**411,020**
Primary expenditure	226,216	230,761	261,995	287,665
Wages and salaries	111,534	126,286	127,957	139,557
Other expenditure	73,310	71,738	76,601	92,008
Capital expenditure	41,372	32,737	57,437	56,100
Capital A		18,502	35,204	32,148
Capital B		14,235	22,233	23,952
Interest	126,013	188,715	131,046	123,355
Budget balance	**(76,029)**	**(119,283)**	**(78,483)**	**(88,562)**
Of which: Primary balance	49,984	69,432	52,563	34,793
Public entities balance 1/	**(26,254)**	**(15,505)**	**(5,755)**	**(7,332)**
Overall budget balance	**(94,908)**	**(136,775)**	**(82,657)**	**(90,717)**
Memo: GDP (billions J$)	1,024	1,106	1,193	1,295

Sources: Jamaican authorities; and IMF staff estimates.

1/ Includes 20 selected public entities under rationalization or divestment plans, and other public bodies.

Table 47: Budgeted and Actual Expenditure, FY 2009/10 – FY 2011/12 (In millions of Jamaican Dollars)

	2009/10		2010/11		2011/12	
	Budget	Actual	Budget	Actual	Budget	Actual 1/
Primary expenditure 2/	224,997	216,526	238,013	239,762	251,993	263,713
Wages and salaries	125,754	126,286	127,660	127,957	133,748	139,557
Other expenditure	79,026	71,738	74,121	76,601	87,215	92,008
Of which:						
Travel expenses and subsistence	10,363	10,297	9,746	9,357	10,718	11,591
Retirement benefits	13,828	14,726	16,555	17,415	21,941	22,388
Purchases of other goods and services	22,948	18,209	17,710	19,619	14,538	15,252
Transfers and grants to LGAs	2,050	3,550	2,346	2,850	2,931	4,839
Other subsidies to SOEs	10,343	9,692	15,394	17,565	16,248	17,049
Capital expenditure (Capital A)	20,217	18,502	36,232	35,204	31,030	32,148

Sources: Jamaican authorities; and IMF staff estimates.

1/ Unaudited expenditure for FY 2011/12.

2/ Excludes debt service and externally-funded capital expenditure.

Table 48: Budgeted and Actual Revenue, FY 2009/10 – FY 2011/12 (In millions of Jamaican Dollars)

Head	2009/10		2010/11		2011/12	
	Budget	Actual	Budget	Actual	Budget	Actual
Recurrent	**290,400.7**	**282,980.4**	**307,229.4**	**295,056.8**	**326,535.5**	**303,192.3**
Tax revenue	**274,943.5**	**262,786.6**	**287,211.4**	**274,493.0**	**308,455.7**	**286,196.0**
1 Customs	24,130.1	18,932.0	23,747.9	20,643.4	24,424.0	20,073.2
4 Income Tax	121,725.3	118,459.7	114,877.3	103,999.7	112,501.6	106,430.3
5 Land and Property Tax						
7 Stamp Duties	10,452.5	7,423.7	7,386.1	7,387.5	8,352.9	8,613.8
8 Motor Vehicle Licenses	1,815.8	1,724.6	1,974.8	1,763.3	1,944.0	1,737.8
9 Other Licenses	410.0	462.8	510.5	262.9	289.5	375.9
11 Travel Tax	1,519.6	1,933.1	2,550.6	3,924.1	5,044.6	4,921.2
12 Betting, Gaming and Lotteries	1,387.7	1,487.5	1,675.8	1,516.2	1,671.5	1,640.9
14 Retail Sales Tax						
16 Education Tax	12,596.5	12,302.8	12,399.0	12,954.1	14,476.1	14,996.8
17 Contractors Levy	848.0	755.6	851.2	785.0	924.8	1,171.2
18 General Consumption Tax	77,290.1	70,233.7	78,031.0	84,329.4	96,458.2	88,283.8
19 Special Consumption Tax	20,683.4	26,994.7	40,900.6	34,890.4	40,165.5	35,709.0
20 Environmental Levy	2,084.6	2,076.4	2,306.5	2,036.9	2,203.0	2,242.2
Non tax revenue	15,457.2	20,193.7	20,018.0	20,563.9	18,079.8	16,996.3
22 Post Office	956.6	928.3	1,115.7	1,002.5	1,139.1	1,137.5
23 Interest	1,161.3	1,641.8	1,267.5	1,387.4	1,909.7	1,091.3
24 Departmental and others	13,339.3	17,623.6	17,634.9	18,173.9	15,031.0	14,767.4
Capital revenue	**30,582.7**	**11,460.6**	**18,323.8**	**14,943.0**	**22,462.1**	**13,818.5**
25 Royalties	594.9	542.6	587.4	308.4	535.0	297.6
26 Land Sales						
27 Loan Repayments	5,642.0	604.2	48.1	686.3	8,647.4	9,876.8
8 Extraordinary Receipts	24,345.8	10,313.8	17,688.3	13,948.3	13,279.7	3,644.2

Total recurrent and capital	320,983.4	294,441.0	325,553.2	309,999.8	348,997.6	317,010.8
Transfers from Capital Development Fund	**750.0**	**510.6**	**2,128.9**	**1,400.0**	**1,786.1**	**1,822.3**
29 Transfers to Current Account	750.0	510.6	2,128.9	1,400.0	1,786.1	1,822.3
30 Transfers to Capital Account						
Loan receipts	215,786.4	293,562.0	176,288.3	214,485.7	140,778.2	177,438.9
31 Loan receipts	215,786.4	293,562.0	176,288.3	214,485.7	140,778.2	177,438.9
Total revenue and loan receipts	**537,519.8**	**588,513.6**	**503,970.5**	**525,885.5**	**491,561.9**	**496,272.0**
Total revenue, excluding loan receipts	**321,733.4**	**294,951.5**	**327,682.1**	**311,399.8**	**350,783.7**	**318,833.1**

Sources: Ministry of Finance and Planning, August 2012.