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Fiscal Structural Program for Economic Growth I, II, & III

(JA-L1038 / 3148/OC-JA)

(JA-L1051 / 3511/OC-JA)

(JA-L1055 / 3880/OC-JA)

Project Completion Report

(PCR)

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2. [PCR Checklist](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-15)

# Optional Electronic Links

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2. [Annex II – Summary of Achievements](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-11)
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5. [Annex V - References](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-14)
6. [QRR Results and Procedures Report](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-16)
7. Government of Jamaica “Comments on the Project Completion Report (PCR) IDB-Fiscal Structural Programme for Economic Growth (FISPEG) I, II and III”

# Acronyms and Abbreviations

|  |  |
| --- | --- |
| ACCPAC | Commercial Software Package (now known as "Sage 300c") |
| AI | Actual improvement (of Impact, Outcome or Output indicators) |
| ASYCUDA | Automated Systems for Customs Data |
| CIT | Corporate Income Tax |
| CRF | Corporate Results Framework |
| CS | Country Strategy |
| Convergence | The internal Bank project data management platform |
| CUF | Customs User Fees |
| CY | Calendar year |
| DCGE | Dynamic Computable General Equilibrium (model) |
| EI | Expected improvement (of Impact, Outcome or Output indicators) |
| EOP | End of Program (or Project) |
| ETC | Employment Tax Credit |
| FAMP | Fiscal Administration Modernization Program |
| FCP | Fiscal Consolidation Program |
| FIA | Fiscal Incentives Act |
| FISPEG | Fiscal Structural Program for Economic Growth |
| FPP | Fiscal Policy Paper |
| FRF | Fiscal Responsibility Framework |
| FS | Financial Secretary |
| FSL | Fiscal Services Limited |
| FY | Fiscal Year |
| GCT | General Consumption Tax |
| GDP | Gross Domestic Product |
| GINI | Measure of inequality in income distribution (developed by Corrado Gini) |
| GoJ | Government of Jamaica |
| ICA | Initial Capital Allowance |
| IMF (FMI) | International Monetary Fund |
| IRR | Internal Rate of Return |
| IT | Information Technology |
| JA | Jamaica |
| JCA | Jamaica Customs Agency |
| JCEP | Jamaica Competitiveness Enhancement Program |
| JUTC | Jamaica Urban Transit Company |
| LTO | Large Taxpayer Office |
| MBT | Minimum Business Tax |
| MIS | Management Information System |
| MLSS | Ministry of Labor and Social Security |
| MoF | Ministry of Finance |
| MTO | Medium Taxpayer Office |
| NCB | National Commercial Bank Jamaica Ltd. |
| NHT | National Housing Trust |
| NIDS | National Identification System |
| NIF | National Insurance Fund |
| NIS | National Insurance Scheme |
| NIS | National Insurance Scheme |
| NPV | Net Present Value |
| NSFPB | Non-Self-Financing Public Body |
| NWC | National Water Commission |
| OEL | Optional Electronic Link |
| OI | Operation Implementation (TC program) |
| PATH | Program of Advancement Through Health and Education (MLSS) |
| PAYE | Pay as You Earn (withholding tax on salaried income) |
| PB | Public Body |
| PBL | Policy Based Loan |
| PBP | Policy Based Program |
| PCR | Project Completion Report |
| PED | Public Enterprises Division |
| PIT | Personal Income Tax |
| PPS | Pension Payment System |
| PS | Permanent Secretary |
| PTL | Project Team Leader |
| RAiS | Revenue Administration Information System (of the TAJ) |
| RM | Results Matrix |
| SBA | Stand-By Agreement (of the IMF) |
| SFPB | Self-Financing Public Body |
| SLA | Service Level Agreement |
| SO2 | Employers annual NIS return |
| TAJ | Tax Administration Jamaica |
| TC | Technical Cooperation |
| TRN | Taxpayer Registration Number |
| UIS | Update to the Institutional Strategy |
| UNCTAD | United Nations Conference on Trade and Development |
| WG | Working Group |

# Basic Information (US$ Amount)

|  |  |  |  |
| --- | --- | --- | --- |
| Project number (s): JA-L1038, JA-L1051, and JA-L1055 | | | |
| Title: Fiscal Structural Program for Economic Growth | | | |
| Lending Instrument: Policy Based Loans (PBLs) | | | |
| Country: Jamaica | | | |
| Borrower: Government of Jamaica | | | |
| Loan (s):, | 3148/OC-JA | 3511/OC-JA | 3880/OC-JA |
| Sector/Subsector: IFD/FMM - Fiscal Management |  |  |  |
|  |  |  |  |
| Date of Board Approval: | 28-Jan-2014 | 21-July-2015 | 29-Nov-2016 |
| Date of Loan Contract Effectiveness: | 6-Feb-2014 | 5-Aug-2015 | 19-Dec-2016 |
| Date of Eligibility for First Disbursement: | 10-Feb-2014 | 10-Aug-2015 | 19-Dec-2016 |
|  |  |  |  |
| Loan Amount (s) – US dollars |  |  |  |
| Original Amount: | 80,000,000 | 130,000,000 | 50,000,000 |
| Current Amount: | 80,000,000 | 130,000,000 | 50,000,000 |
| Pari Passu: | - | - | - |
| Total Project Cost: | 80,000,000 | 130,000,000 | 50,000,000 |
|  |  |  |  |
| Months in execution |  |  |  |
| From Approval: | 0 | 0 | 0 |
| From Contract Effectiveness: | 0 | 0 | 0 |
|  |  |  |  |
| Disbursements Periods |  |  |  |
| Original Date of Final Disbursement: | 10-Feb-2014 | 10-Aug-2015 | 19-Dec-2016 |
| Current Date of Final Disbursement: | 10-Feb-2014 | 10-Aug-2015 | 19-Dec-2016 |
| Cumulative Extension (Months): | 0 | 0 | 0 |
| Special Extensions (Months): | n/a | n/a | n/a |
| Disbursements – US dollars |  |  |  |
| Total Amount of Disbursements to Date: | 80,000,000 | 130,000,000 | 50,000,000 |
|  |  |  |  |
| Redirectioning. Has this Project? |  |  |  |
| Received funds from another Project | No | No | No |
| Sent funds to another Project | No | No | No |
|  |  |  |  |
| Ex Post Economic Analysis Methodology: General economic analysis | | | |
| Ex Post Evaluation Methodology: Dynamic Computable General Equilibrium model to simulate tax revenues with and without program–sponsored reforms | | | |
|  | | | |
| Development Effectiveness Classification: Highly Successful | | | |
|  | | | |
|  | | | |
| Statement of the Development Objectives of the Project/Program: | | | |
| The program’s objective is to support the efforts of the Government of Jamaica to achieve a sustainable fiscal path and higher economic growth. This will be done through: (i) reducing tax distortions which hinder private investment, employment and competitiveness; (ii) strengthening revenue collection through broadening tax bases and reducing tax rates; (iii) enhancing the control over budgetary expenditure; (iv) improving the fiscal sustainability of the National Insurance Scheme (NIS); and (v) strengthening the Fiscal Responsibility Framework (FRF). | | | |

# Executive Summary

The primary focus of the Fiscal Program for Economic Growth (FISPEG) was on reform of tax policy and administration, while also undertaking several expenditure rationalization measures. Approved in January 2014 the program built upon prior revenue enhancing initiatives, namely the Bank-sponsored Fiscal Consolidation Program (FCP) (2010-2012), which focused on reduction of tax expenditures, and an International Monetary Fund (IMF) Stand-By Arrangement. Both the Bank and IMF programs were terminated early due to a deteriorating macro-fiscal environment in late 2011 and 2012. FISPEG, which focused on tax policy reform, benefitted from an ongoing Operation Implementation (OI) Technical Cooperation (TC) agreement approved in 2010 that provided invaluable support for tax policy analysis and from the Fiscal Administration Modernization Program (FAMP) which got underway in late 2012 and supported institutional improvements at the customs and inland revenue authorities. Also, concurrent with the FISPEG operation, was the IMF’s Extended Fund Facility (EFF) that had been approved in May 2013. Throughout both the FCP and FISPEG operations collaboration between the IMF and Bank teams was close, particularly in the area of tax policy design and implementation.

The three-stage FISPEG operation was directly aligned with the country’s development needs as identified in both the Bank’s Country Strategy (CS) and the Government of Jamaica’s (GoJ) Fiscal Policy Paper in the areas of tight expenditure management, tax reform, pension reform, and public-sector transformation. The program was divided into five components consisting of: (i) the standard macro-economic stability requirement; (ii) strengthening tax policy and administration; (iii) rationalization of expenditure; (iv) ensuring fiscal sustainability of the National Insurance Scheme; and (v) strengthening the Fiscal Responsibility Framework (FRF).

FISPEG performance in this Project Completion Report (PCR) is assessed in the context of the indicators specified in the three Results Matrices (RM) included with the FISPEG I, II and III loan proposals respectively. Because the indicators in these RMs were not specified in identical terms at the time the corresponding operations were prepared, a consolidated RM was compiled ex post consisting of the combined set of 44 results/products and their corresponding 80 indicators spanning the three operations. (See Table 2.) As the borrower had agreed to the indicators contained in the original three RMs and as the consolidated matrix contains no new or substantially altered indicators, it was not deemed necessary to involve the borrower in the consolidation of the three (See Table B and related discussion). The performance of each indicator has been assessed following the PCR Guidelines (OP-1242-5) and uploaded to Convergence using the standardized format. As shown in Table B, 2 impacts, 19 outcomes and 23 outputs are respectively measured by 2, 25, and 53 indicators.

Table C tallies the performance of each of these indicators according to whether it met or exceeded its target, fell short of its target or could not be measured at the end of the program. Notable among the findings are the 65 indicators that met or exceeded their targets, while 6 fell short, 2 had to be zero rated and 7 deactivated because they could not be measured at the end of the program. Disaggregating performance by program component, it is clear that Component II, strengthening tax policy and administration, was the most successful, with two thirds (10 out of 15) of the outcome indicators and all 29 output indicators meeting or exceeding their targets. By way of comparison components III had one outcome indicator, Component IV had none, and Component V had one that met or exceeded its target. These results reflect the program’s primary focus on tax reform as compared to the fiscal expenditure components of the program, particularly Components III and IV.

Aggregating the performance of all these indicators into the single measure of Development Effectiveness - Core Criteria, as is done by the PCR Checklist, the program is rated Highly Successful ([PCR Checklist](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-15))

The results directly related to each of the five specific program objectives (as listed in the Statement of the Development Objectives of the Project/Program) are presented in Table A and may be summarized as follows:

(i) Reducing tax distortions which hinder private investment, employment and competitiveness:[[1]](#footnote-1)

a. Corporate Income Tax (CIT) was successfully reduced leading to a greater than expected level of revenue due to better collections and a stronger economy;

b. introduction of the Employment Tax Credit (ETC) was successful and savings to employers were greater than expected;

c. new discretionary waivers were eliminated, and other tax expenditure categories capped leading to reduced tax expenditures, although not by as much as had been anticipated.

(ii) Strengthening revenue collection through broadening tax bases and reducing tax rates:

a. tax revenue as a percent of Gross Domestic Product (GDP) increased from 23.5% at the beginning of 2013 to 25.6% at the end of Fiscal Year (FY) 2016/17[[2]](#footnote-2) and, while slightly less than expected, was aided by the establishment of a minimum business tax and a cap on claims for deduction of tax losses carried forward;

b. the application of the General Consumption Tax (GCT) to government purchases was highly successful and raised more than twice the expected revenues;

c. raising the number of qualified professional auditors in the medium and large taxpayer office led to major increases in audits performed, substantially exceeding expectations.

(iii) Enhancing the control over budgetary expenditure:

a. The central government’s wage bill (i.e. Compensation of Employees) as a percent of GDP was reduced from 11% in FY 2012/2013 to 10.2% in 2016/2017[[3]](#footnote-3) after a policy of no central government salary increases was adopted.

b. The number of Self-financing Public Bodies (SFPBs) reporting on time to their Portfolio Ministries and to the Ministry of Finance (MoF) on time (i.e. within the agreed 6-months after end of fiscal year) increased dramatically from an albeit very low base, although not as much as had been expected. The performance of Non-Self-Financing Public Bodies (NSFPBs) remained abysmal, with very spotty reporting in many cases.

(iv) Improving the fiscal sustainability of the National Insurance Scheme (NIS):

1. Although the position paper for reform of the NIS was approved, the main target of decreasing the actuarial deficit of the NIS could not be assessed, as the updated actuarial analysis stipulated as a condition of FISPEG III has yet to be carried out.

(v) Strengthening the FRF:

a. The government approved the legal framework and regulations for the Fiscal Rule including the provision to reduce to approximately one month the time required to take corrective measures in the event of unanticipated budget deviations.

**Analysis of the Results**

A counterfactual analysis carried out to assess the results of FISPEG ([Annex III](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-12)) arrived at the following findings and conclusions:

* The main objectives of the tax reform, reduction of tax expenditures and broadening of the tax base have been achieved.
* The overall indication of the simulation exercise is that GDP real growth would have been lower by 0.94% per year if no tax policy and tax expenditure measures had taken place.
* Unemployment levels in the counterfactual [without program] are higher in relation to the baseline [with program] scenario. Removal of biased structure of tax expenditures tends to favor higher growth rates in the primary sector.
* The direct and indirect impacts of the tax reform are positive overall. Notwithstanding delays in implementation of tax policy measures and of the action plans on tax and customs administration, the progressive nature of the tax reform has resulted in a positive impact on the average Jamaican household.

**Efficiency**

An analysis of the present values of the benefits and costs of the program’s tax reform component ([Annex IV](https://idbg.sharepoint.com/teams/EZ-JA-LON/JA-L1055/_layouts/15/DocIdRedir.aspx?ID=EZSHARE-2052092533-13)) demonstrates that the benefits of these reforms exceed corresponding FISPEG costs by a factor of three to four times. More broadly when the benefits of the complete set of Bank interventions are considered, including the prior FCP operation and parallel technical assistance, and these benefits are compared to estimates of the corresponding costs, the former exceed the latter by roughly four to five times. Thus, the program was clearly justified in terms of even rough estimates of the net benefits accruing to Jamaica.

**Sustainability**

Building upon the earlier FCP initiatives, the FISPEG operation in conjunction with the parallel FAMP investment program has achieved numerous beneficial results particularly in the tax reform area. These results are broadly sustainable by having widespread support and a growing institutional capacity to assure their continued implementation and further improvement.

# Introduction

This PCR covers the execution of three sequential operations for the FISPEG in Jamaica approved in 2014, 2015 and 2016 respectively under a Policy-Based Programmatic (PBP) approach. All three were financed with single disbursement Policy-Based Loan (PBL) in the amounts of US$80, US$130 and US$50 million respectively. These PBLs were accompanied by parallel TCs and an investment program as discussed below.

The FISPEG series followed on the previous Bank-sponsored FCP that was initiated in 2010 and designed as a sequence of three PBL-funded operations.[[4]](#footnote-4) However the FCP was terminated in mid-2012 after disbursement of the second PBL due to a deteriorating macro-fiscal environment, as discussed in the following sections. The FISPEG operation represented a continuation and further deepening of the reforms started under the FCP series, and in fact the two PBP series need to be seen as the seamless evolution of Bank involvement with, and borrower endorsement of, critically needed fiscal reforms in Jamaica.

**Collaboration with the IMF and parallel technical assistance**: During the 2010 to 2017 period the IMF undertook two programs that were closely coordinated with and mutually complementary to the IDB’s FCP and FISPEG operations. The Fund approved a SBA in February 2010 which included tax revenue enhancing and expenditure containment measures, structural reforms in the areas of fiscal responsibility legislation, a Central Treasury Management System, tax administration and the rationalization of public employment and public enterprises (known in Jamaica as PBs).[[5]](#footnote-5) The Bank approved the first FCP operation in August 2010 and as observed in the PCR for that program, “The conditionality of the first operation (JA-L1032) followed the collaboratively developed IMF & IDB analysis very closely. It was prepared rapidly to respond to the immediate need for a large support program from a multilateral development bank that would complement the IMF Stand-By Arrangement...”[[6]](#footnote-6)

Aware of the need for greater analytical depth the project team developed a large (US$900,000) parallel Operation Implementation Technical Cooperation (OI/TC) agreement (JA-T1066) which was approved by the time the FCP II operation was presented to the Board in December 2010. This OI provided support in the areas: (i) tax policy design and modernization of the tax and customs administrations; (ii) public debt sustainability and management; (iii) central treasury management system; and (iv) public relations campaign.

After disbursement of the FCP II operation in December 2010 the macro-fiscal situation deteriorated in Jamaica leading to the cessation of both the IMF’s SBA and the Bank’s FCP operations in late 2011 / early 2012, as discussed at length in the PCR for the FCP.[[7]](#footnote-7) However the technical assistance funded by the OI/TC continued. It also contributed significantly to preparing the technical groundwork for the design and detailed elaboration of the FISPEG operation. Further contributing to the Bank’s greater understanding of tax policy and administration deficiencies in Jamaica during this “interregnum” between the two PBLs was the preparation and approval in November 2011 of the Fiscal Administration Modernization Program (FAMP), funded by a large scale (US$65 million[[8]](#footnote-8)) investment loan which provided support for: (i) modernization of the tax administration; (ii) modernization of customs operations; (iii) strengthening the debt management system; and (iv) strengthening the central treasury management system. Although conditions prior to first disbursement were not fully met until late in 2012, the FAMP has not only provided invaluable stand-alone support for reforms at the two major revenue collection agencies but has also informed the design and implementation of FISPEG.

The Bank and the IMF again collaborated on the preparation of their respective follow-on operations in 2013. The Fund approved an Extended Arrangement under the EFF in May 2013 in which they noted “To guide the reform process, an action plan has been prepared in consultation with Inter-American Development Bank (IDB) and Fund staff”.[[9]](#footnote-9) Consistent with this action plan the Bank approved the first of the FISPEG operation in January 2014. As a result, the EFF and FISPEG operations shared several mutually reinforcing components, as is evident in a comparison of the FISPEG policy matrix and the and EFF “structural program conditions and benchmarks”. Particularly close collaboration was carried out in identifying and quantifying tax expenditures and then working jointly with the authorities to agree and implement measures to reduce their impact on tax revenues. For example, EFF benchmark 9.a called for “Government to table Omnibus Tax Incentive Act in the House of Representatives, guided by TA provided by the Bank and in consultation with IMF staff, to eliminate ministerial discretionary powers to grant or validate any tax relief, and put in place a transparent regime for limited tax incentives.” This was to be done by September 30, 2013, i.e. prior to Bank approval of the first FISPEG operation. The Bank and IMF also collaborated in setting tax administration targets, such as increasing the number of officials in the Large Taxpayer Office (LTO) and requiring mandatory e-filing of tax returns. In other areas the Bank reinforced measures in which the IMF had taken the lead, e.g. placing limits on public sector wages and the design and implementation of a legally binding fiscal rule.[[10]](#footnote-10)

# Core criteria. Project performance

## Relevance

### Macro-economic and fiscal circumstances during program design and execution (2014 - 2016)[[11]](#footnote-11)

**Program preparation (2013-14)**

Since the mid 1990’s Jamaica has experienced disappointing macroeconomic performance characterized by low real growth rates, high inflation (peaking at 26.5% in August 2008[[12]](#footnote-12)), chronic government deficits due to anemic tax collections, plagued by multiple “loopholes” -- tax expenditures exceeded 7% of GDP in 2006-2009 -- and poor collection rates. On the government expenditure side, the GoJ faced increasing debt service costs, amounting to as much as 60% of revenues, on the very high public debt (Over 130% of GDP in FY2009/10[[13]](#footnote-13)). Also contributing to expenditures were the public-sector wage bill and subsidies for inefficient state‑owned enterprises. The economy was particularly vulnerable to the global financial crisis of 2007‑2008 and was one of the few countries in the hemisphere to experience negative real rates of growth in output in the latter half of the first decade (- 1.7% and - 2.6% in FY2008/2009 and 2009/2010 respectively[[14]](#footnote-14)).

**Developments during the course of program (2014 – 2016/2017)**

After signing the EFF with the IMF in May 2013, Jamaica began to recover from the economic conditions that had led to the increasingly unsustainable fiscal deficit that prevailed at that time. Over the thirteen EFF reviews, the country’s reform programme complied with all structural benchmark indicators and all quantitative quarterly targets and therefore it has remained on track since the outset. In parallel, the authorities successfully complied with all the structural reform conditions under the PBLs signed with the Bank.

Over the three FYs (2013/2014-2015/2016), the Jamaican economy recorded an average annual growth rate of around 0.7% in real terms, in line with its historically low growth of around 1%, which was even lower than other countries in the Latin America and Caribbean (LAC) region. On the positive side, inflation was receding, and reserves were increasing, tax revenues increased from 23.5% to 24%, the overall deficit decreased from 6.4% to 0.5% of GDP and public debt declined from 140.5% to 120% of GDP. In short while some reservations remained due to Jamaica’s track record implementing fiscal adjustment programmes and it’s still elevated level of debt and low growth, the multilateral and bilateral organizations recognized that this time around, Jamaica was taking the right steps towards securing a sustainable fiscal path and higher growth rates.

### Alignment with country development needs

The Bank Country Strategy (CS) with Jamaica 2013-2014 highlights the deterioration in fiscal sustainability and the imbalance in the external account as drivers for the government to take strong and immediate initiatives to put the economy on a path toward greater stability in the medium term. Among the key reforms required to achieve this stability the CS identifies the areas of “…tax regime (to reduce waivers, widen the tax net and increase compliance), public pensions (that are financed out of the annual budget); public sector rationalization (to reduce the expenditure on recurrent costs) ….”[[15]](#footnote-15). The program was also aligned with one of the objectives stated in the Bank’s 2016-2021 CS with Jamaica, namely; “Improve public sector management”.

The GoJ’s own Fiscal Policy Paper (FPP) for FY 2013/14 identifies “…the Government’s broad strategic priorities from FY 2013/14 and through the medium term are economic growth, price stability, job creation and poverty reduction, underpinned by tight expenditure management, tax reform, pension reform, public sector transformation and reduction in corruption and waste.”[[16]](#footnote-16)

The FISPEG operation was directly aligned with the country’s development needs as identified in both the CS and the FPP in the areas of tight expenditure management, tax reform, pension reform, and public-sector transformation as manifested by the administrative restructuring and strengthening of the agencies directly responsible for implementing these reforms.

Strategic alignment is discussed in section 4.1.

### Vertical logic

The program was intended to have two broad impacts: (i) improve the public-sector balance as a percent of GDP; and (ii) contribute to increased economic growth. The bulk of the outcomes and corresponding outputs were focused on achieving the first of these, given the fundamental fiscal‑reform thrust of the program. Annex I links the three levels of impact, outcomes, and outputs. The annex categorizes the 19 outcomes according to which of the two impact indicators they most pertain. The table also categorizes the 53 output indicators[[17]](#footnote-17) according to each of the outcomes that they most directly affected. The work-plans, strategies, analysis, and systems of FISPEG I laid the foundations for the changes carried out by FISPEG II. In turn, FISPEG II provided the diagnostics, common understanding, and conditions for enacting the reforms of tariffs, credits, and legislation carried out by FISPEG III. Some of the inputs in the previous operations also led to the completion of further system development in FISPEG III.[[18]](#footnote-18)

Table A lists result indicators directly related to each of the program objectives. Table A makes the discussion more tractable and facilitates a better focus on the analysis of the key impacts, outcomes, and outputs. It also provides a cross reference to their performance as reported in Table 2using their identification number. In this section, we will keep the discussion referenced to Table A unless explicitly stated otherwise.

**Table A**

**Identification of Impacts, Outcome and Outputs**

**Directly Related to the One General and Five Specific Objectives of FISPEG**

(with cross references to the Comprehensive Results Matrix – Table 2)

| **Objective** | **Result Type** | | **Indicator name & number** | **Achievement level** |
| --- | --- | --- | --- | --- |
| **Outcome** | **Output** |
| **General Objective** | | | | |
| **Support the efforts of the GoJ to achieve a sustainable fiscal path and higher economic growth.** | | | | |
|  | **a. Increased public sector balance** (Impact 1) | | | |
|  | | | Public Sector Balance / Nominal GDP (Impact indicator 1.1) | 110% |
|  | **b. Increased Economic Growth** (Impact 2) | | | |
|  | | | Real GDP Annual Growth Rate (Impact indicator 2.1) | 33% |
|  | | | | |
| **Five Specific Objectives** | | | | |
| **(i) Reducing tax distortions which hinder private investment, employment and competitiveness** | | | | |
|  | **a. Decrease CIT revenue for unregulated companies** (Outcome II.4) | | | |
|  | | | CIT revenue collections (Outcome indicator II.4.1) | 0% |
|  | | **a.1 GCT, Corp & Self-Employed Tax, CIT and PIT** (Output II.2) | | |
|  | | | CIT rate for unregulated companies applied (Output indicator II.2.2) | 100% |
|  | | | | |
|  | **b. Savings increase through the employment tax credit to foster economic growth** (Outcome II.5) | | | |
|  | | | Total savings in labor costs expected for employers (Outcome indicator II.5.1) | 143% |
|  | | **b.1 ETC** (Output II.13) | | |
|  | | | ETC for registered trade companies under the labor incentive program applied. (Output indicator II.13.2) | 100% |
|  | **c. Decrease the ratio between tax expenditures and the GDP (tax distortion)** (Outcome II.11) | | | |
|  | | | Total tax expenditures / Nominal GDP[[19]](#footnote-19) (Outcome indicator II.11.1) | 81% |
|  | | **c.1 New discretionary waivers eliminated** (Output II.12) | | |
|  | | | Granting of new categories of ministerial discretionary waivers eliminated. (Output indicator II.12.1) | 100% |
|  | | **c.2 Application of Caps on Tax Incentives** (Output II.14) | | |
|  | | | Increase for Initial Capital Allowance (ICA) for new capital investment applied (Output indicator II.14.1) | 100% |
|  | | | Tax incentive cap allowed under the FIA for pioneer/mega projects applied (Output indicator II.14.2) | 100% |
|  | | | | |
| **(ii) Strengthening revenue collection through broadening tax bases and reducing tax rates** | | | | |
|  | **a. Increased tax revenue as % of GDP** (Outcome II.1) | | | |
|  | | | Tax revenue / Nominal GDP (Outcome indicator II.1.1) | 82% |
|  | | **a.1 Minimum Business Tax** (Output II.4) | | |
|  | | | Minimum Business Tax (MBT) established (Output indicator II.4.2) | 100% |
|  | | **a.2 Cap on claims for deduction of tax losses carried forward** (Output II.10) | | |
|  | | | Cap on claims for deduction of tax losses forwarded on chargeable income (CIT and PIT) applied (Output indicator II.10.1) | 100% |
|  | **b. Increase GCT tax revenue on government purchases** (Outcome II.3) | | | |
|  | | | GCT revenue collections (Outcome indicator II.3.1) | 322% |
|  | | **b.1 Standard GCT rate applied to Government purchases** (Output II.11) | | |
|  | | | Standard GCT rate to government purchase established  (Output indicator II.11.1) | 50% |
|  | **c. Increase annual audits performed by Large and Medium Taxpayer Offices** (Outcome II.7) | | | |
|  | | | Number of Audits performed by LTO (Outcome indicator II.7.1) | 120% |
|  | | | Number of Audits performed by MTO (Outcome indicator II.7.2) | 1,174% |
|  | | **c.1 Adequate number of full-time LTO professionals** (Output II.8) | | |
|  | | | Total number of professional staff in the LTO. (Output indicator II.8.2) | 100% |
|  | **d. Reduce the time taken by TAJ to perform the comprehensive audits on Large and Medium taxpayers per year** (Outcome II.6) | | | |
|  | | | Tax Audits (months taken by LTO) (Outcome indicator II.6.1) | 100% |
|  | | | Tax Audits (months taken by MTO) (Outcome indicator II.6.2) | 0% |
|  | | **d.1 TAJ and JCA IT systems implemented** (Output II.8) | | |
|  | | | TAJ and JCA IT systems implemented (Output indicator II.8.2) | 100% |
|  | **e. Increase the relation between the number of large taxpayers using e-filing and the total number of large taxpayers.** (Outcome II.10) | | | |
|  | | | Large taxpayers filling/total number of large taxpayers CIT (Outcome II.10.1) | 150% |
|  | | | Large taxpayers filling/total number of large taxpayers GCT (Outcome II.10.2) | 107% |
|  | | | Large taxpayers filling/total number of large taxpayers PAYE (Outcome I.10.3) | 130% |
|  | | **e.1 Enforcement for taxpayers e-filing** (component of Output II.9) | | |
|  | | | Penalty Act to enforce taxpayers e-filing implemented (Output II.9.3) | 100% |
|  | | | Penalty Act to enforce e-filling of all taxes paid by large taxpayers, including payroll taxes implemented. (Output II.9.2) | 100% |
|  | | | | |
| **(iii) Enhancing the control over budgetary expenditure** | | | | |
|  | **a. Decrease annual central government’s sector wage bill** (Outcome III.12) | | | |
|  | | | Expenditure of the central government on Wage bill / Nominal GDP (Outcome indicator III.12.1) | 89% |
|  | | **a.1 Central Government Salaries** (Output III.1) | | |
|  | | | Policy of no central government salary increases to meet an annual wage bill target implemented (Output indicator III.1.2) | 100% |
|  | **b. Increase the number of PB reporting on time to the MoF** (Outcome II.13) | | | |
|  | | | Self-financing PBs reporting on time (Outcome indicator III.13.1) | 50% |
|  | | | Non-self-financing PB reporting on time (Outcome indicator III.13.2) | 0%\* |
|  | | **b.1 PBs timely submission of annual reports** (Output III.3) | | |
|  | | | Compliance system of the PBs with reporting requirements implemented (Output indicator III.3.1) | 100% |
| **c. Decrease the relation between the primary expenditure and the GDP** | | | |  |
|  | | | Primary expenditure/Nominal GDP (Outcome V.19.1) | 100% |
| **c.1 Improve the quality of expenditure through rationalization** | | | |  |
|  | | | Master Rationalization Plan to streamline the PBs implemented (Output III.2.2) | 100% |
|  | | | | |
| **(iv) Improving the fiscal sustainability of the NIS** | | | | |
|  | **a. Decrease the actuarial deficit of the NIF (% of GDP)** (Outcome IV.16) | | | |
|  | | | Actuarial Deficit of the NIF for current pensioners  (Outcome indicator IV.16.1 – as amended) | 0%\* |
|  | | | Actuarial Deficit of the NIF for active contributors  (Outcome indicator IV.16.2 – as amended) | 0%\* |
|  | | **a.1 Actuarial Analysis** (Output IV.2) | | |
|  | | | Updated actuarial Analysis of the NIS that is displayed for public consultation and updated regularly **(**Output indicator IV.2.1) | 100% |
|  | | **a.2 Reform Plan to improve fiscal sustainability** (Output IV.1) | | |
|  | | | Position Paper for reform of the National Insurance Scheme approved **(**Output indicator IV.1.3) | 100% |
|  | | | | |
| **(v) Strengthening the FRF** | | | | |
|  | **a. Decrease delay in implementing corrective measures to address deviations from budget**  (Outcome V.18) | | | |
|  | | | [Time to take] corrective measures [on budget deviations]  (Outcome indicator V.18.1) | 100% |
|  | | **a.1 Fiscal Rules** (Output V.1) | | |
|  | | | Document drafting the Legal Framework and Regulation for the Fiscal Rule reviewed and approved by the government. (Output indicator V.1.2) | 100% |
|  | | | Enhanced Fiscal Rules implemented (Output indicator V.1.3) | 100% |
| \* No end of program (EOP) data are available for these indicators, therefore they have been deactivated for quantitative analysis purposes but nonetheless remain conceptually relevant to achieving the objectives at hand. | | | | |

The five specific objectives identify the areas of work needed to achieve the general objectives. The indicator associated with public sector balance [general objective a] depends on both government taxes and expenditures. The Outcome indicators which measure income received by the government are tax revenue [(ii),a] and GCT revenue collection [(ii).b]. Note the indicators on the number of audits [(ii).c], the time taken for audits [(ii).d] and e-filing [(ii).e] contribute to the strengthening of tax revenue [(ii).a]. On the other side of the equation, the indicators on wage bill expenditure [(iii).a], and the primary expenditure [(iii).c] aim to quantify adjustments to government expenditure. Thus, these income- and expenditure-related outcome indicators contribute to the public-sector balance impact indicator [general objective a].

Other indicators relate to economic growth [general objective b]. The indicators on CIT revenue collections [(i).a] and savings in labor cost for employers [(i).b] contribute to stimulating the economy. Related indicators assess strengthened institutions and thus, economic growth [general objective b] in the long run. The indicator of PBs reporting on time to the MoF [(iii).b] contribute to strengthening the cohesion of political institutions. Governments with strong legislative and judicial institutions limit corruption and encourage public revenues in the long run. The indicators which assess actuarial deficits [(iv).a] and time to take corrective measures on budget deviations [(v).a] contribute to political stability. Political stability affects the time horizons over which governments plan. Political stability, along with strong political institutions, promotes a stable path for the public-sector balance. This stability in turn promotes economic growth [general objective b].

Among the outcomes directly contributing to the primary program impact of improving the public‑sector balance [objective (a)], the most important was increased tax revenue [(ii).a]. Although controls on the expenditure side [(iii).a] arguably can contribute as much to improving the public-sector balance, tax revenue is considered most important because the primary focus of FISPEG was on enhancing tax reform both in terms of resources dedicated to program design and in terms of conditions specified in the respective policy matrices. The outcome of decreased CIT [(i).a] was in turn abetted by the implementation of a CIT rate for unregulated companies [(i).a.1]. Looking at other products (outputs) vertically linked to increased tax revenues [(ii).a] were the establishment of the Minimum Business Tax [(ii).a.1] and the application of a cap on claims for deduction of tax losses carried forward against taxable income when computing CIT and Personal Income Tax (PIT) liabilities [(ii).a.2]. The increase in GCT revenues on government purchases [(ii).b] by establishing the standard GCT rate on them [(ii).b.1] was an outcome that while raising revenues also raised expenditures, thus making an ambiguous contribution to achieving an increased public-sector balance[[20]](#footnote-20) [general objective (a)]. Tax audits [(ii).c] have an obvious bearing on increasing revenues [objective (ii)]. The number of audits performed [(ii).c] was a particular weakness prior to FISPEG. The main input identified by FISPEG to achieve these audit-related outcomes was the number of professional staff at the LTO [(ii).c.1], as this office was woefully understaffed at the beginning of the program.

Probably the second most important outcome, and certainly one of the most contentious, that contributed to achieving an increased public-sector balance [General objective (a)] was the reduction in tax expenditures relative to GDP [(i).c]. The elimination of granting new categories of ministerial discretionary waivers [(i).c.1] was the output directly designed to achieve this outcome and the application of the cap on tax incentives allowed for pioneer/mega projects [(i).c.2] also contributed to this outcome. The FISPEG output of the application of an increase in the Initial Capital Allowance (ICA) for new capital investment [(i).c.2] also contributed to a decrease on tax expenditures [(i).c]. Outcomes related to the rationalization of expenditure [objective (iii)] focus on the expenditure of the central government’s wage bill [(iii).a]. This outcome depends on a comprehensive labor agreement on salary scales [(iii).a.1.]

The outcome, an employment tax credit to foster economic growth [(i).b], was implemented by means of the application of the ETC labor incentive program for registered trade companies [(i).b.1].The ETC for registered trade companies under the labor incentive program [(i).b.1] also contributed to the employment tax credit’s specific objective.

The financial reporting of PBs [(iii).b] pertains to poor financial accountability of the publicly owned decentralized entities. These entities include both those that are self-financing, primarily state-owned (nominally for profit) enterprises and the non‑self-financing PBs. PBs’ timely submission of annual reports [(iii).b.1] is directly related to the outcome of reporting [(iii).b].

The outcomes related to ensuring sustainability of the NIS [objective (iv)] reflect the dire situation of the scheme when FISPEG was first designed, namely the poor state of all important aspects of the NIS including contribution rates, benefits and coverage with the consequent large and growing actuarial deficit of the National Insurance Fund (NIF) [(iv).a]. So, in the case of the actuarial deficit outcome [(iv).a], it was necessary for Cabinet to approve the formal position paper on the reform of the NIS [(iv).a.2]. Similarly, an updated and regularly renewed actuarial analysis of the NIF’s solvency [(iv).a.1] was a precondition for reducing the actuarial deficit of the NIF [(iv).a].

Strengthening the FRF [objective (v)] was the fifth, and final, component of FISPEG. The outcome, decrease delay in implementing corrective actions [(v).a], depends on a robust legal framework allowing for an agile response under circumstances of extreme fiscal stress. The product of implemented enhanced fiscal rules [(v).a.1] may be best seen as a tool box to be brought out for the purpose of facilitating this outcome only under this contingency. This implementation of enhanced fiscal rules enables the government to better calibrate macro-fiscal indicators [general objective (b)].[[21]](#footnote-21)

In summary, the operation contributed to improve the sector balance through increased tax revenues and decreased expenditures [outcome indicators (i).c, (ii).a, (ii).b, (ii).c, (ii).d, (ii).e and (iii).a and associated output indicators]. The operation contributed to promote economic growth through stimulus to the employment [outcome indicators (i).a, (i).b and associated outputs], strengthening institutional cohesion [outcome indicators (iii).b and associated output] and promoting political stability [outcome indicators (iv).a and (v).a and associated outputs]. This description simplifies the ground work and structure of contribution across products in the three FISPEG programs. However, the vertical logic of the intervention for each operation and across operations demonstrate the relevance of the operations. The relationship between the outputs, outcomes and improvements in the fiscal balance and the promotion of economic growth are complex in reality. However, the primary channels through which products contributed to outcomes and impacts are clear. Thus, it is clear the operation is related to country development needs.

## Effectiveness

### Statement of project development objectives.

At the global level the objectives of the FISPEG operation are stated identically in the Project at a Glance section of each of the three loan proposals as follows:

The program’s objective is to support the efforts of the GoJ to achieve a sustainable fiscal path and higher economic growth. This will be done through: (i) reducing tax distortions which hinder private investment, employment and competitiveness; (ii) strengthening revenue collection through broadening tax bases and reducing tax rates; (iii) enhancing the control over budgetary expenditure; (iv) improving the fiscal sustainability of the NIS; and (v) strengthening the FRF.

The FISPEG operation consisted of five components that were structured to conform closely to these objectives. Aside from the first component, which was the standard PBP macroeconomic stability requirement, the four operational components were designed to address the five specific objectives. In brief the correspondence between objectives and components may be summarized as follows:

|  |  |
| --- | --- |
| **Specific Program Objective** | **FISPEG Component** |
|  |  |
| N/A | 1. Macroeconomic stability |
| 1. reducing tax distortions | 1. Strengthening tax policy and administration |
| 1. strengthening revenue collection |
| 1. enhancing the control over budgetary expenditure | 1. Rationalization of expenditure |
| 1. improving the fiscal sustainability of the NIS | 1. Ensuring fiscal sustainability of the NIS |
| (v) strengthening the FRF | 1. Strengthening the FRF |

### Results Achieved

The PCR Principles and Guidelines (OP-1242-5) were released in November 2016, one month before the one and only disbursement of the third loan (3880/OC-JA) in the three-loan FISPEG series. The prior edition of the Guidelines, OP-1242-3, was issued in February 2015, more than one year after FISPEG II was presented to the Board.[[22]](#footnote-22) Thus the preparation of the three loan proposals did not benefit from the guidance provided by OP-1242-5 or its predecessors on structure, content and commonality of RMs to be presented in the respective operations of a multistage PBP.[[23]](#footnote-23) Consequently, while the statement of FISPEG objectives is identical in the three loan proposals and there is only a slight discrepancy in the statement of intended Impacts, the respective RMs for FISPEG I, II and III emphasize differing outcomes and outputs of the program. These separate RMs also may treat the same outcome and/or output somewhat differently, by defining them differently or using different indicators to measure their achievement.[[24]](#footnote-24)

In order to be able to carry out the PCR of the FISPEG operation according to the Guidelines (OP-1242-5), it was therefore necessary to develop ex-post a consolidated RM in which the impacts, outcomes and outputs and their associated indicators from each of the three operations specific RMs were incorporated. Table 2 below is this consolidated matrix and is homologous to the RM in Convergence.[[25]](#footnote-25) It follows the structure of the original three RMs and groups outcomes and outputs according to the four operational components of the program (i.e. Components II through V and excluding the macroeconomic stability Component I). Within each of these components every attempt was made to group similar outcomes and outputs together. The first column of Table 2 identifies each indicator by using its original wording and cross references the corresponding indicator number in the original RMs of FISPEG I, II, and III respectively. In the case of output indicators, the section in the corresponding loan contract is also cross referenced. The resulting consolidated RM has a total of 44 results in the categories of impact, outcome and output and a combined total of 80 indicators to quantify these results, the distribution of which is displayed in Table B below.

It should be noted that End of Program (EOP) data for six of the outcome indicators and one output indicator were unavailable and therefore their degree of achievement could not be assessed.

**Table B**

**Tally of Total Number of Results Measured and Indicators Used to Quantify Them**

| **Category by**  **Component** | **Number of Results/Products in each category[[26]](#footnote-26)** | **Number of Indicators in each category** |
| --- | --- | --- |
|  | | |
| Impact | 2 | 2 |
|  | | |
| Outcome | | |
| Component II | 11 | 15 |
| Component III | 4 | 5 |
| Component IV | 2 | 3 |
| Component V | 2 | 2 |
| Subtotal Outcome | 19 | 25 |
|  | | |
| Output | | |
| Component II | 14 | 29 |
| Component III | 5 | 10 |
| Component IV | 3 | 11 |
| Component V | 1 | 3 |
| Subtotal Output | 23 | 53 |
|  | | |
| Total all categories | 44 | 80 |

Before discussing the findings reported in Table 2 it is useful to summarize the ratings received by the 80 indicators according to category and program component. Annex II contains a full discussion of these ratings, which are summarized in Table C below. Notably, full achievement by outcome indicators was more problematic in relative terms than was the case for output indicators. This has to do with the inherently more complex nature of outcomes and the greater difficulty in measuring them adequately. Outputs are almost invariably linked directly to compliance with policy conditions, which were specified in great detail in the three FISPEG policy matrices. This assured that evidence would be collected for their measurement and that they would achieve the intended result (or else disbursement of the corresponding loan would have been in jeopardy).

**Table C**

**Tally of All Indicator Values by Category and Program Component**

| **Categories** | **100% or more** | **Less than 100%** | **Zero Rated** | **Deactivated** | **Total** |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
| Impact | 1 | 1 | 0 | 0 | 2 |
|  | | | | | |
| Outcome | | | | | |
| Component II | 10 | 2 | 2 | 1 | 15 |
| Component III | 1 | 2 | 0 | 2 | 5 |
| Component IV | 0 | 0 | 0 | 3 | 3 |
| Component V | 1 | 1 | 0 | 0 | 2 |
| Subtotal Outcome | 12 | 5 | 2 | 6 | 25 |
|  | | | | | |
| Output | | | | | |
| Component II | 29 | 0 | 0 | 0 | 29 |
| Component III | 9 | 0 | 0 | 1 | 10 |
| Component IV | 11 | 0 | 0 | 0 | 11 |
| Component V | 3 | 0 | 0 | 0 | 3 |
| Subtotal Output | 52 | 0 | 0 | 1 | 53 |
|  | | | | | |
| Total all categories | 65 | 6 | 2 | 7 | 80 |

**General discussion of output and outcome performance**

**Outputs**: As noted in Table B the consolidated Results Matrix contains 23 outputs which are quantified by 53 indicators. Table C contains a summary of the achievement of all output indicators in total and as broken down by the four operational program components. In all, FISPEG fully achieved 52 (98%) of these output indicators. The outputs section of Annex II provides a complete accounting of the achievement level of each of the 53 output indicators, with a direct cross reference to their full description, units of measure, baseline and target values, and means of verification in table 2 below. In short, the FISPEG program did very well in achieving its output indicators, with only one that was deactivated due to unavailability of EOP data.

**Outcomes**: The outcomes attributable to the program are divided into the four operational components (II, III, IV, and V). The outcomes section of Annex II contains the abstract from Table 2 of the performance of the indicators for each of the 19 outcomes for the program. These findings are further summarized in Table C, which provides an overview of the performance of the corresponding 25 indicators. As noted there, 12 of the indicators achieved or surpassed their targets while only 5 fell short and 6 had to be deactivated due to the unavailability of actual EOP data. Two outcome indicators were zero rated due to the EOP actual value having increased when it was expected to decrease. In one instance this clearly was a case of non-performance, but in the other the result represents an unexpectedly favorable change in the collection of tax receipts. These issues are discussed more fully in the next section.

Breaking performance down by program component, in Component II, strengthening tax policy and administration, two thirds (10 out of 15) of the indicators met or exceeded their targets, while Component III had 1, Component IV had none, and Component V had one in this category.

Among the best performing individual indicators were those measuring Outcome II.7 regarding number of audits performed on large and medium taxpayers. Starting from a base of 8 and 100, they were expected increase to 156 and 200 returns respectively. In fact, the reported actual EOP values were 178 and 1,374 returns audited in the target year of 2016/2017. Using the measure of achievement against baseline value described above yields achievement levels of 120% and 1,174% respectively. GCT revenues collected on government purchases (outcome II.3) was another case where expectations were surpassed substantially (322% of expected), despite delayed adoption of the provision and its and phased in application. Also, notable in exceeding expectations were the savings achieved by employers in labor costs (Outcome II.5) due to the application of ETC and the e-filing of tax returns by large taxpayers.

Following is a discussion of the results in terms of their relationship to the FISPEG objectives as summarized in Table A above:

**General objective: Support the efforts of the GoJ to achieve a sustainable fiscal path and higher economic growth**

Directly related to this general objective are the program’s two broad expected impacts, namely; an improved public-sector balance and an uptick in real GDP growth. On both scores FISPEG performed with values at the end of project substantially exceeding the baseline values and, in the case of the public-sector balance (Impact indicator 1.1), achieving 100% of the adjusted “P(a)” target value. However, the indicator for GDP growth fell short of its target by 67%, which reflects the continuing anemic growth during the program period for reasons discussed in the introduction above. This may also be a case of a delayed impact that will not be fully realized until well after FISPEG’s formal closing date. Furthermore, it should be noted that numerous exogenous factors influence measures of economic and fiscal performance that are as broad as these two. and in recognition of this the target value for the first (public sector balance) measure was adjusted downward to reflect these factors*.* (See Table 2.)

Important to also highlight in this regard are the findings of the counterfactual analysis carried out in Annex III and discussed below the section on Results Attribution. In brief, the simulations found that GDP real growth would have been lower if no tax policy and tax expenditure measures had taken place**.** Specifically, in the absence of the tax reform the economy would have experienced 4.79% lower growth over the 2012 – 2018 period, equivalent to 0.94% lower real growth rate per year.[[27]](#footnote-27)

**Specific objective: (i) Reducing tax distortions which hinder private investment, employment and competitiveness**

1. CIT revenue reductions (Outcome II.4): This is an example of an indicator that performed perversely (and therefore received a 0% achievement rating) but for an entirely beneficial reason. FISPEG supported the reduction of the CIT for large taxpayers (Output II.2) from 33.3% to 25%,[[28]](#footnote-28) and the expectation therefore was that CIT revenues would decrease. However, at the same time the parallel FAMP (JA-L1039) was improving the efficiency and effectiveness of tax collections in general and corporate income tax in particular. Furthermore, economic activity picked up more than expected for the affected corporations thus raising their sales. The upshot was that while CIT collections were expected to drop by JD$6,762 million they in fact increased by almost the same amount (JD$6,484 million), yielding the government unexpected additional revenues of over JD$13 billion.
2. ETC savings (Outcome II.5): This is another indicator that exceeded expectations yielding savings in labor costs 43% above the anticipated target-year levels. FISPEG sponsored the design and implementation of the ETC,[[29]](#footnote-29) and as noted in the Jamaica Tax Reform Assessment, the ETC has had a positive impact on formal sector employment as indicated by the sharp rise in the number of active employees paying NIS contributions on a monthly basis. It does this by “…granting a tax credit proportional to the employers’ contributions NIS and other payroll related taxes (ETC) and by granting tax credit for capital investments.”[[30]](#footnote-30)
3. Decrease the ratio between tax expenditures and the GDP (tax distortion)(Outcome II.11): Reduction in subsidies for special interests in the form of tax breaks has been one of the most controversial and challenging of objectives for tax reform in Jamaica. The issue was first addressed by the FCP series of PBLs in which the project team “…gained a greater appreciation for the complex role discretionary and statutory waivers have traditionally played in the Jamaican tax code and tax administration. The waivers were found to be the result not only of pressures from well-placed interest groups but also the logical, even existential response on the part of many businesses to the extremely high tariff rates imposed on imports essential to their operations.”[[31]](#footnote-31) The initial measures in 2010 to impose a freeze on most discretionary waivers faltered and it was agreed enforcement would be postponed, and a detailed legal and economic analysis needed to be carried out before a long-term waiver policy could be established. As noted in the FCP PCR “During the first quarter of 2011 the Bank and GoJ actively engaged in tax policy discussions, culminating in the project team’s presentation to Cabinet and the Partnership for Transformation of a formal tax reform proposal and a follow‑up letter from the team leader to the Financial Secretary (FS) recommending a three‑stage approach to tax reform: (i) tariffs and GCT; (ii) CIT and PIT; and (iii) payroll tax. The team offered substantial technical assistance to implement the first stage during FY 2011/12.”[[32]](#footnote-32) This ultimately led to the issuance of a green paper (No 1-2011) followed by a report on the green paper by a select committee of Parliament which in turn set the stage for the tax-expenditure initiatives sponsored by FISPEG, notably the elimination of the granting of new categories of ministerial discretionary waivers,[[33]](#footnote-33) which dropped from 2.4% of GDP in 2006 to 0.4% in 2013, but have subsequently crept back up to approximately 0.9% due to waivers granted on import duties and the Special Consumption Tax (SCT) on fuel products.[[34]](#footnote-34)

**Specific objective: (ii) Strengthening revenue collection through broadening tax bases and reducing tax rates**

a. Tax revenue as a percent of GDP (Outcome II.1): This is the first outcome measure, which in the baseline year of FY2012/13 was 23.9%. (The value stated in the RM of the first operation, FISPEG I, was 24.6% but was revised downward when more reliable data became available as the second and third operations were prepared.) As noted in Table 2, the EOP value for this indicator (II.1.1) was 25.7% (in FY2016/17), which fell short of the “Revised Annual Target” (P(a)) of 26.1% but exceeded the originally planned (P) value of 25.5% for this indicator (as stipulated in the FISPEG II RM). Given that tax revenues were positively, but not entirely, affected by FISPEG initiatives and that GDP is subject to exogenous factors, it is fair to say that the program came very close to the expected level for this outcome. This outcome was achieved at the 82% level, but this is well within the margin of error.[[35]](#footnote-35) It should also be noted that two outputs that directly contributed to this objective were the FISPEG initiatives to establish a Minimum Business Tax (MBT) and impose a cap on claims for deduction of tax losses that can be carried forward, both of which were fully implemented.

b. GCT revenues on government purchases (Outcome II.3): Prior to the program government purchases were zero rated for GCT collection purposes. One of the more important initiatives of FISPEG was to introduce Jamaica to the best international practice of treating the government just like any other consumer and charging the same value added tax on its purchases of goods and service. While seemingly a zero-sum exercise this has the beneficial effect of improving transparency in government accounting as well as indirectly inducing greater payment of GCT by the government’s suppliers as they now have an incentive to report the GCT they have to pay on their inputs in order to receive the refund against the taxes now collected on sales to the government. As noted in Table 2, GCT revenues on government purchase exceeded expectations by over 200%.

c. Increase annual audits performed by large and medium taxpayer offices (Outcome II.7): A major impediment to assuring full compliance with tax laws by large and medium taxpayers was the understaffing of the offices that audit these two groups. As these taxpayers, particularly the large ones, pay most of the taxes the overall losses in revenue were substantial. By raising the number of qualified professional staff in the LTO from 75 to the original target of 120 and then further raising the level to 135[[36]](#footnote-36), as subsequently agreed, the number of audits performed not only met but substantially exceeded the target levels established for these two categories of taxpayers.

**Specific objective: (iii) Enhancing the control over budgetary expenditure**

a. Central government wage bill as a percent of GDP (Outcome III.12): This is an example of an indicator that slightly, if not significantly, surpassed its objective. The adjusted target (P(a)) for FY 2016/17 was 10.1% and the actual value was 10.0% for that year, which given the preliminary nature of the data is essentially equivalent to the target. In fact, preliminary and projected data for compensation of employees in the IMF “Request for an [SBA]…” show a steady, if slight, downward trend from 10.9% in FY2013/14 to 10.2% in FY 2016/17 and 9.9% in FY 2017/18, with continued reductions after that.[[37]](#footnote-37)

b. PBs prompt reporting to the MoF (Outcome III.13): This outcome, the associated Output (III.3) and their indicators reflect the ongoing difficulties that the MoF has in the fiscal oversight of the PBs. Note that related Outcomes III.14 and III.15 in Table 2 display similar results. Due to the relative size and fiscal importance of the self-financing PBs, as well as their relatively greater technical capacity to prepare financial statements, they report much more completely and opportunely than the non-self-financing PBs. Nonetheless, as noted in Table 2, only about half of the self-financing PBs were reporting on by the FY 2015/16 target year, while very little financial information on the non-self-financing PBs was even being collected due to the formal responsibility for this function falling within the purview of another Division of the MOPFS and the Public Enterprise Division’s (PED) concentration of its limited manpower on the self-financing PBs. This area of PB reform has received and continues to receive a great deal of attention by the IMF as well, and further reform initiatives were included in the SBA signed in November 2016.

**Specific objective: (iv) Improving the fiscal sustainability of the NIS**

a. Decrease the NIF actuarial deficit (Outcome IV.16): This outcome and its associated indicators represent a change to the Results Matrix, as noted in Table 1 below, to account for the fact that the data for original statement of this indicator in the FISPEG II RM was definitionally inconsistent with the data used for the same indicator in the RMs of FISPEG I and III. While the amended indicators are now definitionally correct, the actual EOP values were not available as of the target year of FY 2016/17, thus they had to be deactivated for quantitative analysis purposes. This classification is misleading however as the NIS is actively engaged in preparing an updated actuarial analysis, needed to calculate the current actuarial deficits, and expects to release the findings in April 2018. Meanwhile the NIS has collaborated actively with Bank consultants in preparing a position paper for reform of the System, which has been approved (Output IV.1). The NIS is also actively engaged in a related Bank-sponsored initiative to modernize its automated records processing capacity, and because of this transition was unable to provide information on related Outcome IV.17 (see Table 2) which calls for documenting the decrease in time taken for pensions claims processing. In short, much is being done to improve NIS fiscal sustainability, however it is taking longer than anticipated. FISPEG deserves a lot of credit for launching and supporting these initiatives even if they had not yielded the intended results by the FY 2016/17 target year.

**Specific objective: (v) Strengthening the FRF**

a. Decrease delay in implementing corrective measures to address deviations from budget(Outcome V.18): This is a case of an indicator that strictly speaking can only be measured under fiscal crisis circumstances that fortunately have not occurred since it was included in the FISPEG I RM. However, the target of requiring no longer than one month to take corrective measures on budget deviations would almost assuredly be met given the legislation and associated enhanced fiscal rules that were approved in 2017 and reported in the MoF Fiscal Policy Paper in which it was observed:

“The enhanced fiscal rules provide for a Notional Account into which cumulative deviations from targeted fiscal balances, whether positive or negative, will be recorded. This particular element of the enhanced fiscal governance framework becomes effective in FY 2017/18. *The rules will also allow for an automatic correction should deviations get to a pre-defined threshold*. (emphasis added)” [[38]](#footnote-38)

In conclusion, the FISPEG series of three PBLs, as measured by the expected outcomes and outputs, broadly met its objectives and in several cases significantly exceeded them. Also, it must be said that the instances where EOP information is not available do not necessarily indicate that the stated objectives have been abandoned. Quite to the contrary; in most cases the objectives are being actively pursued but have been found to require more time and resources than had been originally anticipated. Thus, on the whole the program can be said to have achieved or surpassed most of the expected results and to be actively pursuing the few that still remain.

**Table 1. Changes to the Results Matrix**

| **Section of the RM where change took place** | **Change** | **Type** | **Baseline Target** | **Original Target** | **Formally revised target (if applicable)** | **Reasons for change** | **Date of change[[39]](#footnote-39)** | **Date of change agreed with Executing Agency** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **OUTCOMES**  (indicator II.2.1) | Average tariff rate | Redefinition to average **effective** tariff rate | Under original implicit definition:  40% | Under original implicit definition:  20% |  | Nowhere in the project (FISPEG I) documentation is there an explanation of how the baseline (40%) and target (20%) values were defined or obtained. Judging by their magnitude it may be conjectured that they had something to do with the tariff levels of the most heavily taxed imports, but there is no way to confirm this. The concept of the average **effective** tariff (on all taxable imports) is well known and quantifiable. | Oct. 2017 |  |
| Under proposed revised definition:  8.6% |  | Under proposed revised definition:  8.9% |
| **OUTCOMES**  (indicator II.3.1) | GCT revenues on Gvt purchases | More precise definition of data used | Original definition: Total GCT revenue: JD$ 89,659m (2012/13) | Original definition: Total GCT 93,289  (2015/16) |  | Using changes in total GCT revenue to measure the effect of applying the tax to government purchases is subject to distortion due to the influences of other factors on GCT revenue.  Redefining the indicator as solely GCT revenues on gvt purchases and comparing the baseline value (zero) to an independent TAJ report of actual such GCT revenue in target year (2015/16) eliminates this distortion. | Oct. 2017 |  |
| Revised definition:  GCT revenue on Gvt purchases: JD$ 0 m |  | Revised definition: => Expected increase in GCT due solely to Gvt purchases:  **JD$ 3,630m** |
| **OUTCOMES**  Indicator II.9.1  Medium and large taxpayers e-filing / Total medium and large Taxpayers  (FSPG I, result 7) | Invalidation | Deactivation | 5 | 100 | N/A | This FISPEG I indicator has been deactivated because (a) no EOP data are available on e-filings by medium taxpayers, and (b) the indicator is superseded by indicators 10.1, 10.2 and 10.3 which were developed during the subsequent FISPEG II and III operations and represent a more detailed and precise measurement of the same phenomenon | November 2017 |  |
| **OUTCOMES**  Indicator II.11.1  Total tax expenditures / Nominal GDP  (FSPG III, result 2) | Revised EOP target | Adjustment | 5.0% | 3.3%  (2016/17) | 3.4%  (2015/16) | The year for which the EOP target value is specified was changed from FY 2016/17 to 2015/16 as the most recent year for which actual data for this indicator are available is CY2015. | November 2017 |  |
| **OUTCOMES**  Indicator III.13.2  Non-self-financing (NSF) PBs reporting on time  (FSPG I, result 10) | Invalidation | Deactivation | 1 | 105 | N/A | This FISPEG I indicator has been deactivated because no EOP data are available | November 2017 |  |
| **OUTCOMES**  Indicator III.14.1  Self-financing PBs with statement on time / Total Self-financing PBs | Revised EOP target | Adjustment | 44% | 88%  (2016/17) | 65%  (2015/16) | The year for which the EOP target value is specified was changed from FY 2016/17 to 2015/16 as the most recent year for which actual data for this indicator are available is FY2015/16. | November 2017 |  |
| **OUTCOMES**  Indicator III.15.1  Non-Self-financing PBs with statement on time / Total Non-self-financing PBs  (FSPG II, result 6) | Invalidation | Deactivation | 1 | 105 | N/A | This FISPEG II indicator has been deactivated because no EOP data are available | November 2017 |  |
| **OUTCOMES**  (Indicator IV.16.1) - new | Clarification of Actuarial deficit definition  &  Invalidation | Deactivation | 6%  (used in FISPEG I & III) | 4%  (FSPG I)  (2015/16)  3%  (FSPG III)  (2016/17) | N/A | The indicator for Outcome IV.16 has been divided into two components IV.16.1 and IV.16.2 to account for the confusion in the original RMs of the three FISPEG operations between actuarial deficits of the fund for current pensioners vs. the actuarial deficit of the fund for active contributors.  - New indicator IV.16.1 refers to the actuarial deficit of the NIF for *current pensioners*.  - New indicator IV.16.2 refers to the actuarial deficit of the NIF for *active contributors*, i.e. those NIF participants who are currently employed.  However, both new indicators have been deactivated because no EOP data are available for either one.[[40]](#footnote-40) | August 2017 |  |
| (Indicator IV.16.2) - new | 29%  (used in FISPEG II) | 18% |
| **OUTCOMES**  Indicator IV.17.1  Average time for pensions claim processing  (FSPG I, result 12)  (FSPG II, result 8)  (FSPG III, result 8) | Invalidation | Deactivation | 12 | 4 | N/A | Indicator IV.17.1 has been deactivated because no EOP data are available. | November 2017 |  |
|  |  |  |  |  |  |  |  |  |
| **OUTPUTS**  Indicator III.4.1  Database system implemented to allow the PBs report in a standardized format  (FSPG I – product 3.4) | Recasting of the objective. | Deactivation | 0 | 1 | N/A | Output indicator III.4.1 was included in the RM of the first operation as part of the reform dialogue with the borrower, however the indicator was not stipulated as a policy condition of FISPEG I. In preparing the subsequent FISPEG II operation it was determined that implementation of such a database system would be premature given the state of development of related systems in the Public Enterprises Division. Therefore, the indicator was not included in the RMs for FISPEG II and III, and no EOP data for this indicator is available as such. Nonetheless the PED is moving forward with the formalization of a Risk Based M&E Framework which is expected to incorporate key aspects of the database system.[[41]](#footnote-41). | November 2017 |  |

**Table 2**

**Consolidated Results Matrix**[[42]](#footnote-42)

**Proposed vs. Actual Impacts, Outcomes and Outputs**

| **Impact/Indicator**[[43]](#footnote-43) | **Unit of Measure** | **Baseline value** | **Baseline year** | **Targets &**  **Actual achievement**[[44]](#footnote-44) | | **% Achieved** | **Means of verification**[[45]](#footnote-45) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Impact #1 Increased public-sector balance** | | | | | | | |
| Indicator 1.1[[46]](#footnote-46)  - Total revenue – Total expenditure) / Nominal GDP  (FSPG I – Impact 1)  (FSPG II – Impact 1)  - Public Sector Balance / Nominal GDP.  (FSPG III – Impact 1) | % | -4.1 | 2012/13 | P | FSPG I  1.4  (2015/16) |  | Annual Financial Report (i.e. GoJ Fiscal Policy Paper) prepared by the Ministry of Finance and the Public Service (MOFPS). |
| FSPG II  0.8  (2016/17) |
| P(a) | FSPG III  -0.9  (2016/17) | Expected improvement (EI): 3.2 percentage points (pp)[[47]](#footnote-47) |  |
| A | -0.3  (2015/16)  -0.7 proj  (2016/17) | Actual improvement (AI): 3.4 pp’s  (for FY 16/17)  *=> 106% achieved* | GoJ *Fiscal Policy Paper 2017/18*, Feb. 9, 2017 Table 2A, p.17[[48]](#footnote-48) |
| **Impact #2 Increased Economic Growth** | | | | | | | |
| Indicator 2.1  Real GDP Annual Growth Rate  (FSPG I – Impact 2)  *(No indicators on economic growth is included in the RMs for the FiSPEG II or III operations.)* | % | -0.8 | 2012/13 | P | 1.8  (2015/16) | EI: 2.6 pp’s | Macro-Economic Performance Report prepared by the Ministry of Finance GoJ *Fiscal Policy Paper* |
| P(a) |  |  |  |
| A | 1.0  (2015/16) | AI: 0.8pp  *=> 33% achieved* | GoJ Fiscal Policy Paper 2017/18, Feb. 9, 2017 Table 2A, p.17[[49]](#footnote-49)  Note: 1.6% growth rate projected for (2016/17) |

**OUTCOMES**

| **Outcome/Indicator** | **Unit of Measure** | **Baseline value** | **Baseline year** | **Targets & achievement** | | **% Achieved** | | **Means of verification** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **OUTCOMES (EXPECTED RESULTS) for COMPONENT II – Strengthening Tax Policy and Administration** | | | | | | | | |
| **Outcome (Result) II.1 Increased tax revenue as % of GDP** | | | | | | | | |
| Indicator II.1.1  Tax revenue  (FSPG I, result 1)  Tax revenue / Nominal GDP  (FSPG II, result 1)  (FISPEG III result 1)  Note: The name of the indicator used in the FSPG II & III operations is more complete and accurate, therefore it is the name used in Convergence | % of the GDP | 24.6  (FSPG I)  23.9  (FSPG II)  FSPG III) | 2012/13 | P | 25.5  (FSPG II)  (2016/17) |  | | Tax Administration of Jamaica (TAJ) annual report  Note: FISPEG I posited a planned level of 25.7 in 2015/16 for this indicator |
| P(a) | 26.1[[50]](#footnote-50)  (FSPG III)  (2016/17) | EI: 2.2pp | |  |
| A | 25.7  (2016/17) | AI: 1.8pp  (2016/17)  *=>82% achieved* | | GoJ Fiscal Policy Paper FY2017/18, Feb. 9, 2017, Table 3K, p. 59[[51]](#footnote-51) |
| **Outcome (Result) II.2 Reduce the average tariffs rates on imports of non-agriculture and agriculture products** | | | | | | | | |
| Indicator II.2.1  (As Amended – See Table 1)  Average ***Effective*** tariff rate | % | 8.6[[52]](#footnote-52) | 2012/13 | P | 8.9%  (2016/17) | EI:+0.3pp | | Expected EOP level of effective tariff rate assuming all proposed reforms are completed[[53]](#footnote-53) |
| P(a) |  |  | |  |
| A | 6.15[[54]](#footnote-54)  (2016) | AI:-2.45  *=>Target surpassed* | |  |
| **Outcome (Result) II.3**  **Increase General Consumption Tax (GCT) tax revenue on government purchases** | | | | | | | | |
| Indicator II.3.1  (As amended – See Table 1)  GCT revenue collections  (FSPG I, result 3) | JD$ m | 0[[55]](#footnote-55) | 2012/13 | P | 3,630[[56]](#footnote-56)  (2015/16) | EI: 3,630 | | Tax Administration of Jamaica (TAJ) annual report from Tax Policy Division |
| P(a) |  |  | |  |
| A | 11,700  (2015/16) | AI: 11,700  *=>322%* | | TAJ Special Tax Data Report prepared for PCR team in May 2017 provided the following information:  “214 Government entities withheld GCT of **$11.7B**, re taxable Supplies of **$76.11B** per last two financial years”.[[57]](#footnote-57) |
| **Outcome (Result) II.4 Decrease Corporate Income Tax (CIT) tax revenue for unregulated companies** | | | | | | | | |
| Indicator II.4.1  CIT revenue collections  (FSPG I, result 4) | JD$  million | 29,556  (per FSPG I)[[58]](#footnote-58) | 2012/13 | P | 29,036  (2015/16) | EI:-6,762 | | Tax Administration of Jamaica (TAJ) annual report from Tax Policy Division |
| P(a) |  |  | |  |
| A | 42,282  (2015/16) | AI:+6,484  *=>0%*  *achieved as indicator went up not down* | | Based on monthly MoF revenue data as compiled by Jorge Baca[[59]](#footnote-59) |
| **Outcome (Result) II.5 Savings increase through the employment tax credit to foster economic growth** | | | | | | | | |
| Indicator II. 5.1  Total savings in labor costs expected for employers  (FSPG I, result 5) | JD$  million | 0 | 2012/13 | P | 3,078  (2015/16) | EI: 3,078 | | Tax Administration of Jamaica (TAJ) annual report from the Tax Policy Division |
| P(a) |  |  | |  |
| A | 4,393  (Weighted average for FY 2015/16) | AI: 4,393  *143%*  *achieved*  (of target in 2015/16) | | TAJ “Employment Tax Credits Claimed 2015 – 2016” (Table prepared on request) Includes claims made on Corporate and Individual Tax returns: Note these data are on a calendar year basis as follows:  4,388 (CY2016)  4,408 (CY2015) |
| **Outcomes regarding audits** | | | | | | | | |
| **Outcome (Result) II.6 (Audits – part a) Reduce the time taken by TAJ to perform comprehensive audits on Large (LT) and Medium (MT) Taxpayers[[60]](#footnote-60)** | | | | | | | | |
| Indicator II. 6.1  [time taken for] Tax audits – Large Taxpayers  (FSPG I, result 6) | Months | 10 | 2012/13 | P | 6  (2015/16) | EI: -4 months | | TAJ’s Large Taxpayers Office report  Note: Number of LT = 1,042 |
| P(a) |  |  | |  |
| A | 6 | AI: -4months  *100% achieved* | | Email dated 29 September 2017, from Hank Williams, Deputy Commissioner General TAJ to Hunt Howell |
| Indicator II.6.2  [time taken for] Tax audits – Medium Taxpayers  (FSPG I, result 6) | Months | 8 | 2012/13 | P | 4  (2015/16) | EI: -4 months | | TAJ’s Large Taxpayers Office report  Note: Number of MT = 2,000 |
| P(a) |  |  | |  |
| A | 8.6 | *AI: +0.6mnth*  *0%*  *achieved* | | Email dated 29 September 2017, from Hank Williams, Deputy Commissioner General TAJ to Hunt Howell |
| **Outcome (Result) II.7 (Audits – part b) Increase annual audits performed by the Large Taxpayers Office (LTO) and Medium Term (sic) Office (MTO)** | | | | | | | | |
| Indicator II.7.1  Number of Audits Performed - LTO  (FSPG II, result 2) | Number | 8 | 2012/13 | P | 156  (2016/17) | EI:148  returns | | TAJ Annual Performance Report |
| P(a) |  |  | |  |
| A | 186 returns  (2016/17) | AI:178  returns  *120%*  *achieved* | | TAJ Annual Performance Report FY 2016/17 Appendix 4 Tabular Performance Review FY 16/17  (Audits conducted on 78 large taxpayers) |
| Indicator II.7.2  Number of Audits Performed - MTO  (FSPG II, result 2) | Number | 100 | 2012/13 | P | 200  (2016/17) | EI:100 returns | | TAJ Annual Performance Report |
| P(a) |  |  | |  |
| A | 1,374 returns  (2016/17)  AI: 1174 returns | AI: 1174 returns    *1,174%*  *achieved* | | TAJ Annual Performance Report FY 2016/17 Appendix 4 Tabular Performance Review FY 16/17  (Audits conducted on 728 medium taxpayers) |
| **Outcome (Result) II.8 (Audits – part c) Increase the ratio between the number of comprehensive audits and the total number of large taxpayers** | | | | | | | | |
| Indicator II.8.1  Number of total comprehensive audits performed / Total number of [large] taxpayers.  (FSPG III, result 3) | % Large tax payers | 0.7 | 2012/13 | P | 15%  (2016/17) |  | | TAJ Annual Performance Report. |
| P(a) | 12.5%  (2015/16) | EI:11.8pp | | Letter from TAJ Commissioner General to Bank dated Nov. 24, 2016 referencing the FISPEG III negotiations on Nov. 14, 2016 at which it was agreed that target for comprehensive audits of large taxpayers would be set at 12.5% by 2015/16 |
| A | 12.7%  (2015/16) | AI:12pp  *=>102%*  *achieved* | | Letter from TAJ Commissioner General to Bank dated Nov. 24, 2016 stating that “a total of 114 comprehensive audits were completed which is equivalent to 12.7% of large tax payers audited. See also TAJ Performance Report FY2015/16 p. 23 |
| **Outcome (Result) II.9 Increase the % of medium and large taxpayers e-filing their tax return** | | | | | | | | |
| Indicator II.9.1  (Deactivated – See Table 1)  Medium and large taxpayers e-filing / Total medium and large Taxpayers  (FSPG I, result 7) | % | 5 | 2012/13 | P | 100  (2015/16) | EI: 95pp | | TAJ  Note: 3,042 total taxpayers |
| P(a) |  |  | |  |
| A[[61]](#footnote-61) | Insuffi-cient data[[62]](#footnote-62) | *Value cannot be computed* | | Jorge Baca, "Jamaica, Tax Reform Assessment",  LTO Electronic Filing  37.7% All taxpayers (table 11, p 65)  100% Large taxpayers (table 12, p. 65) |
| **Outcome (Result) II.10 Increase in proportion of large taxpayers e-filing as % of LTO taxpayers**  *(identical for FSPG II & III)* [[63]](#footnote-63) | | | | | | | | |
| Indicator II.10.1  Large taxpayers filing/total large taxpayers e-filing by tax type: - CIT  (FSPG II, result 3 and  FSPG III, result 4) | % | 55 | 2012/13 | P | 85  2016/17) | EI: 30pp | | TAJ Annual Performance Report |
| P(a) |  |  | |  |
| A | 100%  (2016) | AI: 45 pp  *=>150%*  *achieved* | | Jorge Baca, "Jamaica, Tax Reform Assessment", LTO Electronic Filing (table 12, p. 65)  (All large taxpayers file CIT electronically but 73% file via internet and 27% file on computers at LTO) |
| Indicator II.10.2  Large taxpayers filing/total large taxpayers e-filing by tax type: - GCT  (FSPG II, result 3 and  FSPG III, result 4) | % | 24 | 2012/13 | P | 95  (2016/17) | EI: 71pp | | TAJ Annual Performance Report |
| P(a) |  |  | |  |
| A | 100%  (2016) | AI: 76 pp  *=>107%*  *achieved* | | Jorge Baca, "Jamaica, Tax Reform Assessment", LTO Electronic Filing (table 12, p. 65)  (All large taxpayers file GCT electronically but 87% file via internet and 13% file on computers at LTO) |
| Indicator II.10.3  Large taxpayers filing/total large taxpayers e-filing by tax type: - PAYE  (FSPG II, result 3 and  FSPG III, result 4) | % | 57 | 2012/13 | P | 90  (2016/17) | EI: 33pp | | TAJ Annual Performance Report |
| P(a) |  |  | |  |
| A | 100  (2016/17) | AI: 43pp  *=>130%*  *achieved* | | Jorge Baca, "Jamaica, Tax Reform Assessment", LTO Electronic Filing (table 12, p. 65)  (All large taxpayers file PAYE electronically and 100% file via internet.) |
| **Outcome (Result) II.11 Decrease the ratio between tax expenditures and the GDP (tax distortion)** | | | | | | | | |
| Indicator II.11.1  (Revised EOP target year)  Total tax expenditures / Nominal GDP  (FSPG III, result 2)  *(The FISPEG I & II RMs do not include outcome (result) indicators for Tax Expenditure)* | % | 5.0 | 2012/13 | P | 3.4%[[64]](#footnote-64)  (2015/16) | EI: -1.6  (2015/16) | | Tax Expenditure Estimates prepared by the MOFPS. |
| P(a) |  |  | |  |
| A | 3.7%  (CY 2015)[[65]](#footnote-65) | AI: -1.3pp  *=>81% achieved[[66]](#footnote-66)* | | Annex III - J Baca *Tax Reform Assessment* Table 5 “Tax Expenditures as % of GDP”, p. 47[[67]](#footnote-67) |
| **OUTCOMES (RESULTS) for COMPONENT III – Rationalization of Expenditure** | | | | | | | | |
| **Outcome (Result) III.12 Decrease annual central government’s sector wage bill**[[68]](#footnote-68) | | | | | | | | |
| Indicator III.12.1  Wage bill  (FSPG I, result 9)  Expenditure of the central government on Wage bill / Nominal GDP. [[69]](#footnote-69)  (FSPG II, result 4)  (FSPG III, result 5) | % of GDP | 10.6  (FSPG I)  11.0[[70]](#footnote-70)  (FSPG II)  (FSPG III) | 2012/13 | P | 9.1  (FSPG I)  (2015/16)  9.0  FSPG II  (2016/17) |  | | Ministry of Finance Annual Financial Report |
| P(a) | 10.1  FSPG III  (2016/17) | EI: -0.9pp | |  |
| A | 10.2  (2016/17) | AI: -1.0 pp  (2016/17)  *89%*  *achieved* | | GoJ *Fiscal Policy Paper FY2017/18* Table 3K “Central Government Summary Accounts (%GDP) – Compensation of Employees” p. 59[[71]](#footnote-71) |
| **Outcomes Regarding PBs prompt reporting to the Ministry of Finance** | | | | | | | | |
| **Outcome (Result) III.13 (PBs – part a) Increase the number of PBs reporting on time to the MoF** | | | | | | | | |
| Indicator III.13.1  Self-financing (SF) PBs reporting on time  (FSPG I, result 10) | Number | 2 | 2012/13 | P | 90  (2015/16) | EI: 88 PBs | | MOF - Public Entities (*sic*) Division (PED) annual management report[[72]](#footnote-72) |
| P(a) |  |  | |  |
| A | 45  (2015/16) | AI: 43 PBs  *=>50%*  *achieved* | | MoF&PS / PED “Submission of Annual Reports to Parent Ministries FY2015/16” [[73]](#footnote-73) |
| Indicator III.13.2  (Deactivated – See Table 1)  Non-self-financing (NSF) PBs reporting on time  (FSPG I, result 10) | Number | 1 | 2012/13 | P | 105  (2015/16) | *Value cannot be computed* | |  |
| P(a) |  |  |
| A | Data not available | MoF&PS does not collect comprehensive data on timeliness of reporting by Non-Self Financing PBs. |
| **Outcome (Result) III.14 (PBs – part b) Increase the % of Self-financing PBs with financial statements presented on time** | | | | | | | | |
| Indicator III.14.1  (Revised EOP target year)  Self-financing PBs with statement on time / Total Self-financing PBs  (FSPG II, result 5 and  FSPG III, result 6) | % | 44% | 2012/13 | P | 65%[[74]](#footnote-74)  (2015/16) | EI:21pp | | Public Entities (*sic*) Division (PED) annual performance report |
| P(a) |  |  | |  |
| A | 66%  (2015/16) | AI:22pp  *=>105%*  *achieved[[75]](#footnote-75)* | | MoF&PS / PED “Submission of Annual Reports to Parent Ministries FY2015/16”[[76]](#footnote-76) |
| **Outcome (Result) III.15 (PBs – part c) Increase the % of Non-Self-financing PBs with financial statements presented on time** | | | | | | | | |
| Indicator III.15.1  (Deactivated – See Table 1)  Non-Self-financing PBs with statement on time / Total Non-self-financing PBs  (FSPG II, result 6) | % | 14 | 2012/13 | P | 80  (2016/17) |  | | Public Entities (sic) Division (PED) annual performance report |
| P(a) |  |  | |  |
| A | Data not available | *Value cannot be computed* | | See note for indicator 13.2 above |
| **OUTCOMES (RESULTS) for COMPONENT IV – Ensuring Sustainability of the National Insurance Scheme** | | | | | | | | |
| **Outcome IV.16 Decrease the actuarial deficit of the National Insurance Fund (NIF) (% of GDP)** | | | | | | | | |
| Indicator IV.16.1  (Amended and deactivated – See Table 1)  Actuarial Deficit of the NIF **for current pensioners**  (FSPG I, result 11)  (FSPG III, result 7) | % | 6%  (FSPG I & III) | 2012/13 | P | 4%  (FSPG I)  (2015/16) |  | |  |
| P(a) | 3%  (FSPG III)  (2016/17) |  | |  |
| A | Data not available | *Value cannot be computed* | | No data available for FY 2016/17[[77]](#footnote-77) |
| Indicator IV.16.2  (Amended and deactivated – See Table 1)  Actuarial Deficit of the NIF **for active contributors**  (FSPG II, result 7) | % | 29  (FSPG II) | 2012/13 | P | 18  FSPG II)  (2016/17) |  | |  |
| P(a) |  |  | |  |
| A | Data not available | *Value cannot be computed* | | No data available for FY 2016/17  (See note for indicator IV.16.1 above) |
|  |  |  |  |  |  |  | |  |
| **Outcome IV.17 Decrease the time for pensions claims processing** | | | | | | | | |
| Indicator IV.17.1  (Deactivated – See Table 1)  Average time for pensions claim processing  (FSPG I, result 12)  (FSPG II, result 8)  (FSPG III, result 8) | months | 12 | 2012/13 | P | 4  (FSPG I)  (2015/16)  (FSPG II & III: 2016/17) |  | National Insurance Scheme (NIS) annual report | |
| P(a) |  |  |  | |
| A | Data not available | *Value cannot be computed* | NIS officials interviewed in May 26, ’17) claimed they are incapable of providing this figure because they are in transition to a new computer system, and that this indicator is too difficult to compute manually | |
| **OUTCOMES (RESULTS) for COMPONENT V – Strengthening the Fiscal Responsibility Framework** | | | | | | | | |
| **Outcome V.18 Decrease delay in implementing corrective measures to address deviations from budget** | | | | | | | | |
| Indicator V.18.1  [Time to take] corrective measures [on budget deviations]  (FSPG I, result 13  Contract section 2.03.IV.(a))  See also FISPEG II Loan Proposal ¶1.12 | Months | 12 | 2012/13 | P | 1  (2015/16) |  | | Escape clause in the Fiscal Rules to be activated only by Parliament in case of major adverse shocks approved by Cabinet |
| P(a) |  |  | |  |
| A | 1[[78]](#footnote-78)  (2015/16) | *=>100%*  *achieved* | | The Financial Administration and Audit (Amendment) Act, 2014 has the relevant language=> see abstract from Fiscal Policy Paper below*[[79]](#footnote-79)* |
| **Outcome V.19 Decrease the primary expenditure** | | | | | | | | |
| Indicator V.19.1  Primary expenditure*[[80]](#footnote-80)*  (FSPG I, result 8)  Primary Expenditure / Nominal GDP.  (FSPG II, result 9)  (FSPG III, result 9)  Note: The name of the indicator used in the FSPG II & III operations is more complete and accurate, therefore it is the name used in Convergence | % of GDP | 20.4[[81]](#footnote-81)  (FSPG III) | 2012/13 | P | 19.9  (FSPEG I)  (2015/16)  18.6  (FSPG II)  (2016/17) |  | | Ministry of Finance annual Financial Report |
| P(a) | 20.5[[82]](#footnote-82)  (FSPG III)  (2016/17) | EI: +0.1pp | |  |
| A | 20.4[[83]](#footnote-83)  (2016/17) | AI: 0pp  *=>100%*  *achieved* | | GoJ *Fiscal Policy Paper FY2017/18* Table 3K “Central Government Summary Accounts (%GDP)”  p. 59[[84]](#footnote-84) |
| Note; IMF reports a programmed primary expenditure of 20.9% for FY 2016/17 and a projected level of 21.7% for FY2017/18. (IMF *Jamaica Second Review under the Stand-By Arrangement* Table 1, p. 22, October 2017) |

**OUTPUTS**

| **Output**[[85]](#footnote-85) | **Unit of Measure** | **Baseline value** | **Baseline year** | **Targets &**  **Actual achievement** | | **% Achieved** | **Means of verification** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **OUTPUTS (Products) for COMPONENT II - Strengthening Tax Policy and Administration** | | | | | | | |
| **Output II.1. Application of tariff caps and rates** | | | | | | | |
| Indicator II.1.1  Work plan to reduce tariff dispersion  (FSPG I – product 2.1,  Pol Mtx item II.1.a.A, &  Contract section 2.03(a)(i)) | Work plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | MOF – Tax Policy Division – work group report presenting the progress of the implementation of the work plan. |
| P(a) |  |  |
| A | 1  (Dec. 2013) | Proclamation of The Customs Tariff (Revision) (Amendment) (No. 2) Resolution 2013 in Jamaica Gazette on 13-12-17 manifests the results of this working group.[[86]](#footnote-86) |
| Indicator II.1.2  Development of an indicator measuring the standard deviation of the Customs statutory tax rates  (FSPG II – product 2.1,  contract: section 2.03.I.(a)(i)) | Certificate | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the FS informing that no deviation has happened on the Customs statutory tax rates |
| P(a) |  |  |
| A | 1  (May 2015) | Official letter from FS to Bank dated May 27, 2015 (part II.1.b.A.2) providing evidence of compliance with section 2.03.I.(a)(i) of the FISPEG II loan contract by way of certifying that the 5% rate established in FISPEG I is still in in effect and enforced.[[87]](#footnote-87) |
| Indicator II.1.3  Tariff caps on imports applied.  (FSPG III – product 2.1,  contract section 2.03.I.(a)(i)(A)) | Tariff Caps | 0 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from the Financial Secretary (FS) informing that the tariff cap keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.A.1) providing evidence of compliance with section 2.03.I.(a)(i)(A) of the FISPEG III loan contract by way of certifying that “the tariff caps on imports are being maintained as specified in the first operation.”[[88]](#footnote-88) |
| Indicator II.1.4  Tariff rate on selected intermediate and final goods applied.  (FSPG III - product 2.2  contract section 2.03.I.(a)(i)(B)) | Tariff rate | 0 | 2012/13 | P | 1  (2013/14) | 100% | Letter from the FS informing that the tariff rate keeps being applied. |
| P(a) |  |  |
| A | 1  (2013) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.A.2) providing evidence of compliance with section 2.03.I.(a)(i)(B) of the FISPEG III loan contract by way of certifying that “the 5% tariff rate on selected intermediate and final goods as specified in the first operation is being maintained.”[[89]](#footnote-89) |
| **Output II.2. GCT, Corp & Self-Employed Tax, CIT and PIT** | | | | | | | |
| Indicator II.2.1  Work Plan for the CGT, corporate and self-employed tax, CIT and PIT implemented  (FSPG I – product 2.2,  Pol. Mtx. items II.1.a.B&D,  contract section 2.03(a)(iv)) | Work plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | MOF – Tax Policy Division – work group report presenting the progress of the implementation of the work plan. |
| P(a) |  |  |
| A | 1  (Jan 2014) | Proclamation of the “Fiscal Incentives (Miscellaneous Provisions) Act Jan. 1, 2014[[90]](#footnote-90) |
| Indicator II.2.2  CIT rate for unregulated companies applied  (FSPG III – product 2.8,  contract section 2.03.I.(a)(iv)(A)) | Rate | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the FS informing that the CIT rate keeps being applied. |
| P(a) |  |  |
| A | 1  (2013) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.D.1) providing evidence of compliance with section 2.03.I.(a)(iv)(A) of the FISPEG III loan contract by way of certifying “The following measures continue to be maintained and enforced: 1 - The Corporate Income Tax (CIT) Rate of 25% for unregulated companies.”[[91]](#footnote-91) |
| **Output II.3. Legal framework for Charities Act, FIA, etc. introduced** | | | | | | | |
| Indicator II.3.1  Legal framework and regulations drafted and approved, including the Charities Act, the Fiscal Incentives Act (FIA), amendments to the Income Tax Act, and amendments to the Customs Duty Act.  (FSPG I – product 2.3,  Pol Mtx item II.1.a, &  Contract section 2.03(a)(iii)) | Legal frame work | 0 | 2012/13 | P | 1  (2015/16) | 100% | Draft of the legal framework and regulations prepared by the Tax Policy Division of the MOF |
| P(a) |  |  |
| A | 1  (Jan 2014) | - Proclamation of the “Charities Act, 2013” on Dec. 24, 2013  - Proclamation of the “Fiscal Incentives (Miscellaneous Provisions) Act 2013” a.k.a “An Act to Amend the Income Tax Act” Jan. 1, 2014  - Proclamation of The Customs Tariff (Revision ) (Amendment) (No. 2) Resolution 2013 in Jamaica Gazette on Dec. 17, 2013 |
| Indicator II.3.2  Provisions of the Charities Act, the FIA and the consequential amendments to the revenue law introduced  (FSPG III – product 2.6,  contract section 2.03.I.(a)(iii)(A)) | Provision | 0 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from TAJ Commissioner General, informing that the provisions of the Charities Act keep being applied |
| P(a) |  |  |
| A | 1  (2013) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.C.1) providing evidence of compliance with section 2.03.I.(a)(iii)(A) of the FISPEG III loan contract by way of certifying “The Tax Administration Jamaica (TAJ) continues to enforce provisions of the *Charities Act,* the *Fiscal Incentives Act,* and the consequential amendments to these revenue laws.”[[92]](#footnote-92) |
| **Output II.4. Minimum Business Tax** | | | | | | | |
| Indicator II.4.1  The amendment document for the permanent establishment of the Minimum Business Tax (MBT) presented to Parliament  (FSPG II - product 2.4.  contract section 2.03.I.(a)(ii)) | Document | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the FS stating that Parliament has approved the tabling of the MBT (attach tax amendment document). The letter must include information regarding the registration number and the date of the decision by Parliament. |
| P(a) |  |  |
| A | 1  (April 2015) | Official letter from FS to Bank dated May 27, 2015 (part II.1.b. B.1) providing evidence of compliance with section 2.03.I.(a)(ii) of the FISPEG II loan contract by way of transmitting the “Minimum Business Tax Act, 2015” passed by House of Representatives 22nd day of April 2015[[93]](#footnote-93) |
| Indicator II.4.2  Minimum Business Tax (MBT) established  (FSPG III - product 2.3,  contract section 2.03.I.(a)(ii)(A)) | Tax | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the FS informing that the MBT keeps being applied. |
| P(a) |  |  |
| A | 1  (Apr. 2015  on  - which is when MBT was approved – see above) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.B.1) providing evidence of compliance with section 2.03.I.(a)(ii)(A) of the FISPEG III loan contract by way of certifying “The Borrower maintains the implementation of the comprehensive tax reform program that includes measures to … (ii) Increase tax revenues by: (A) implementing the Minimum Business Tax (MBT);…”[[94]](#footnote-94) |
| **Output II.5. Petroleum Tax Rationalization** | | | | | | | |
| Indicator II.5.1  Committee for the rationalization of Taxes on petroleum products created  (FSPG I – product 2.5)  (no loan contract provision)  Note: FISPEG II loan contract section 2.03(a)(iv)(E) calls for a “review and assess the recommendations of the Bank-sponsored study of… [petroleum taxes] | Committee | 0 | 2012/13 | P | 1  (2015/16) | 100% | Committee meeting minutes plan prepared by the Tax Policy Division of the MOF |
| P(a) |  |  |
| A | 1  (Mar. 2015) | Extensive MOF comments prepared in March 2015 on IDB consultant study of Taxes on Petroleum Products (see Indicator II.5.2 below) implicitly manifest existence of competent GoJ in-house capacity to address this issue, although no committee meeting minutes were produced as such. |
| Indicator II.5.2  Recommendations of the Bank-sponsored study of the rationalization of taxes on petroleum and derivatives considered.  (FSPG III – product 2.12  contract section 2.03.I.(a)(v)) | Study | 0 | 2012/13 | P | 1  (2015/16 – on) | 100% | Letter from the FS informing that the Bank-sponsored recommendations study were reviewed |
| P(a) |  |  |
| A | 1  (Mar. 2015) | Official letter from FS to Bank dated May 27, 2015 (part II.1.b.E) providing evidence of compliance with section2.03.I.(a)(iv)(E) of the FISPEG II loan contract by way of citing attached copy of MOF comments of March 20, 2015 on IDB study[[95]](#footnote-95) |
| **Output II.6. TAJ & JCA Strengthened** | | | | | | | |
| Indicator II.6.1  Strategy / work plan for the strengthening of the TAJ and JCA implemented.  (FSPG I – product 2.6,  contract section 2.03(b)(i)) | Strategy / work plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | TAJ and JCA reports about the progresses reached with the implementation of the modernization of their processes |
| P(a) |  |  |
| A | 1  (2014) | -Official letter from Cabinet Secretary to Bank dated Jan. 6, 2014 providing evidence of compliance with section 2.03(b)(i) of the FISPEG I loan contract.[[96]](#footnote-96) |
| **Output II.7. TAJ and JCA IT systems** | | | | | | | |
| Indicator II.7.1  TAJ and JCA IT systems implemented (FSPG I – product 2.7,  contract section 2.03(b(ii)) | Systems | 0 | 2012/13 | P | 2  (2015/16) | 100% | TAJ and JCA reports about the progresses reached with the implementation of their Tax systems |
| P(a) |  |  |
| A | 2  (Jan. 2014) | - Official letter from Cabinet Secretary to Bank dated Jan. 6, 2014 providing evidence of compliance with section 2.03(b)(ii)(A) and (B) of the FISPEG I loan contract.[[97]](#footnote-97) |
| Indicator II.7.2  JCA Accounting Package system (ACCPAC) implemented  (FSPG I – product 2.8)  (Not a contractual requirement for FISPEG I but it is stipulated in FISPEG II loan contract: Section 2.03.I.(b)(iii)  and  - FISPEG III loan contract section 2.03.I.(b)(iii)) | System | 0 | 2012/13 | P | 1  (2015/16) | 100% | JCA report about the progresses reached with the implementation accounting system. |
| P(a) |  |  |
| A | 1  (Apr 2015) | - Official letter from Cabinet Secretary to Bank dated Jan. 6, 2014 providing evidence of compliance with section 2.03(b)(ii)(B) of the FISPEG I loan contract regarding the JCA IT system.[[98]](#footnote-98)  … and …  - Official letter from Commissioner JCA to Bank dated Apr. 22, 2015 providing evidence of compliance with section 2.03.I.(b)(iii) of the FISPEG II loan contract by way of certifying that ACCPAC system was fully implemented on April 1, 2015[[99]](#footnote-99) |
|
| Indicator II.7.3  New TAJ integrated IT system fully implemented.  (FSPG III - product 2.16,  contract section 2.03.I.(b)(ii)(A)) | System | 0 | 2012/13 | P | 1  (2016/17) | 100% | Letter from the TAJ Commissioner General informing that the new IT system is fully operational. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.2.c.B.1) providing evidence of compliance with section 2.03.I.(a)(ii)(A) of the FISPEG III loan contract by way of affirming full implementation of Phases 1 and 2 of TAJ’s integrated tax administration system, announcing implementation of Phase 3 of system.[[100]](#footnote-100) |
| Indicator II.7.4  New integrated customs IT system fully implemented  (FSPG III – product 2.17  contract section 2.03.I.(b)(ii)(B)) | System | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the JCA Commissioner informing that the new IT system is fully operational. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.2.c.B.2) providing evidence of compliance with section 2.03.I.(b)(ii)(B) of the FISPEG III loan contract by way of affirming full implementation of the integrated IT system at the JCA including mandatory e-filing of all customs declarations and manifests.[[101]](#footnote-101) |
| **Output II.8. Adequate number of Full-time LTO professionals** | | | | | | | |
| Indicator II.8.1  Report informing the number of full time professionals working at the LTO presented  (FSPG II – product 2.2,  contract section 2.03.I.(b)(i)(A)) | Report | 0 | 2012/13 | P | 2  (2016/17)  consisting of  1  (2014/15)  1  (2015/16) | 100% | Letter from TAJ Commissioner General attaching LTO professional staff list working full time. |
| P(a) |  |  |
| A | 2  (May 2015)  1  virtual for (2014/15)  1  real for  (2015/16)  see notes | Official letter from FS to Bank dated May 27, 2015 (part II.2..c.A.1) providing evidence of compliance with section2.03.I.(b)(i)(A)) of the FISPEG II loan contract by way of certifying that the number of qualified professional staff in the Large  Taxpayer Office (LTO) is being maintained at no less than 120. The letter also includes a list of the LTO positions filled.[[102]](#footnote-102) |
| Indicator II.8.2  Total number of professional staff in the LTO.  (FSPG III – product 2.13,  contract section 2.03.I.(b)(i)(A)) | Professionals | 75 | 2012/13 | P | 135  (2016/17) | 100% | Letter from the TAJ Commissioner General reporting the number of LTO professionals employed. |
| P(a) |  |  |
| A | 135  (Nov 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.2.c.A.1) providing evidence of compliance with section 2.03.I.(a)(ii)(B) of the FISPEG III loan contract by way of confirming an increase in the number of qualified professional staff in the Large Taxpayer Office (LTO) to 135 |
| **Output II.9. Large (and other) taxpayers paying on-time via e-filing** | | | | | | | |
| Indicator II.9.1  Report presenting the information about the Large Taxpayers filing on time CIT, GCT and PAYE prepared  (FSPG II – product 2.3,  contract section 2.03.I.(b)(i)(B,C)) | Report | 0 | 2012/13 | P | 2  (2016/17)  consisting of  1  (2014/15)  1  (2015/16) | 100% | Letter from the TAJ Commissioner General attaching the Performance Report from the TA Commissioner presenting the information about large taxpayers filling on time for the CIT, GCT and PAYE; and the ratio of tax arrears to revenue. |
| P(a) |  |  |
| A | 2  (May 2015)  1  virtual for (2014/15)  1  real for  (2015/16)  see notes | Official letter from FS to Bank dated May 27, 2015 (parts II. 2.b.A.2&3) providing evidence of compliance with section 2.03.I.(b)(i)(B&C)) of the FISPEG II loan contract by way of certifying that the Revenue Administration (Amendment) Act, 2013 maintains the power of the TAJ to mandate taxpayers e-filing and that the TAJ has established that mandatory e-filing of all taxes has been implemented and fully enforced. |
| Indicator II.9.2  Amendment of the Revenue Administration Act to enforce e-filing of all taxes paid by **large taxpayers** implemented.  (FSPG III – product 2.15,  contract section 2.03.I.(b)(i)(B,C,&D)) | Act | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the TAJ Commissioner General informing that the penalty for non- e-filing keeps being applied. |
| P(a) |  |  |
| A | 1  (2013) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.2.c.A.3) providing evidence of compliance with section 2.03.I.(b)(i)(C)(1) of the FISPEG III loan contract by way of affirming continued enforcement of mandatory e-filing of all taxes for large taxpayers.[[103]](#footnote-103) |
| Indicator II.9.3  Amendment of the Revenue Administration Act to enforce taxpayers e-filing implemented  (FSPG III – product 2.14,  contract section 2.03.I.(b)(i)(B)) | Act | 0 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from the TAJ Commissioner General informing that the e-filling enforcement keeps being applied |
| P(a) |  |  |
| A | 1  (2013)[[104]](#footnote-104) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.2.c.A.2) providing evidence of compliance with section 2.03.I.(b)(i)(B) of the FISPEG III loan contract by way of affirming maintenance of powers to mandate the e-filing of taxes.[[105]](#footnote-105) |
| **Output II.10. Cap on claims for deduction of tax losses carried forward** | | | | | | | |
| Indicator II.10.1  Cap on claims for deduction of tax losses forwarded on chargeable income (CIT and PIT) applied.  (FSPG III - product 2.4  contract section 2.03.I.(a)(ii)(B)) | Cap | 0 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from the FS informing that the CIT and PIT caps keep being applied |
| P(a) |  |  |
| A | 1  (2013)[[106]](#footnote-106) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.B.2) providing evidence of compliance with section 2.03.I.(a)(ii)(B) of the FISPEG III loan contract by way of affirming that the 50%cap on claims for deduction of tax losses forwarded in any year of assessment is still in effect and being enforced.[[107]](#footnote-107) |
| **Output II.11 Standard GCT rate applied to Government purchases** | | | | | | | |
| Indicator II.11.1  Standard GCT rate to government purchase established  (FSPG III – product 2.5,  contract section 2.03.I.(a)(ii)(C)) | [application of the] Rate | 0 | 2012/13 | P | 1  (from FY 2014/15 on) | 100% | Letter from the FS informing that the Standard GCT rate keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.B.3) providing evidence of compliance with section 2.03.I.(a)(ii)(C) of the FISPEG III loan contract by way of affirming the General Consumption Tax (GCT) applicable to government purchases remains in effect.[[108]](#footnote-108) |
| **Output II.12 New discretionary waivers eliminated** | | | | | | | |
| Indicator II.12.1  Granting of new categories of ministerial discretionary waivers eliminated.  (FSPG III – product 2.7,  contract section 2.03.I.(a)(iii)(B)) | Grant | 1 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from FS informing that the elimination of the grant of new categories keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov. 2016)[[109]](#footnote-109) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.C.2) providing evidence of compliance with section 2.03.I.(a)(iii)(B) of the FISPEG III loan contract by way of affirming the cessation of the granting of new categories of ministerial discretionary waivers continues to be enforced.[[110]](#footnote-110) |
| **Output II.13 Employment tax credit** | | | | | | | |
| Indicator II.13.1  Work plan for the creation of a mechanism for labor incentive capital allowance, and tax incentives allowed under the Omnibus Incentives Act  (FSPG I – product 2.4) | Work plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | MOF – Tax Policy Division – work group report presenting the progress of the implementation of the work plan. |
| P(a) |  |  |
| A | 1  (May 2015) | Letter from FS to IDB rep dated May 27, 2015 (part D.2) certifying that ETC is continuing to be applied.[[111]](#footnote-111) |
| Indicator II.13.2  Employment Tax Credit (ETC) for registered trade companies under the labor incentive program applied  (FSPG III – product 2.9,  contract section 2.03.I.(a)(iv)(B)) | Tax credit | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the TAJ Commissioner General informing that the tax credit for registered companies keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov 2016)[[112]](#footnote-112) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.D.2) providing evidence of compliance with section 2.03.I.(a)(iv)(B) of the FISPEG III loan contract by way of affirming that “The following measures continue to be maintained and enforced … The Employment Tax Credit (ETC) for registered trade companies under the labor incentive program up to cap of 30% of the chargeable income tax.”[[113]](#footnote-113) |
|  | | | | | | | |
| **Output II.14 Application of Caps on Tax Incentives** | | | | | | | |
| Indicator II.14.1  Increase for Initial Capital Allowance (ICA) for new capital investment applied.  (FSPG III – product 2.10  contract section 2.03.I.(a)(iv)(C) | Allowance | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the FS informing that the allowance for new investments keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov 2016)106 | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.D.3) providing evidence of compliance with section 2.03.I.(a)(iv)(C) of the FISPEG III loan contract by way of affirming that “The following measures continue to be maintained and enforced …The initial capital allowances for new capital investment..”107 |
| Indicator II.14.2  Tax incentive cap allowed under the FIA for pioneer/mega projects applied  (FSPG III – product 2.11,  contract section 2.03.I.(a)(iv)(D)) | Cap | 0 | 2012/13 | P | 1  (2014/15 on) | 100% | Letter from the FS informing that the cap on the pioneer/mega projects incentives keeps being applied. |
| P(a) |  |  |
| A | 1  (Nov 2016)106 | Official letter from FS to the Bank dated Nov. 8, 2016 (part II.1.c.D.4) providing evidence of compliance with section 2.03.I.(a)(iv)(D) of the FISPEG III loan contract by way of affirming that “The following measures continue to be maintained and enforced …The limitations of tax incentives allowed under the *Fiscal Incentives Act* for pioneer/mega projects at an overall cap of 0.25% of GDP107 |
|  | | | | | | | |
| **OUTPUTS (Products) for COMPONENT III - Rationalization of Expenditure** | | | | | | | |
| **Output III.1. Central Government Salaries** | | | | | | | |
| Indicator III.1.1  Agreement with the government workers’ union that central government salary scales will remain unchanged in nominal terms over a 3 years period.  (FSPG I – product 3.1,  contract section 2.03(c))  Note: FISPEG II contract section 2.03.II.(a) stipulates central government salaries must remain at or below 10.1% of GDP | Agreement | 0 | 2012/13 | P | 1  (2015/16) | 100% | Document comprising the Agreement with the government workers’ union |
| P(a) |  |  |
| A | 1  (2014/15) | Official letter from MoF to the Bank dated January 14th,  2014 certifying compliance with section 2.03(c) of the FISPEG I loan contract by way of confirming agreement with Unions and attaching a copy of the agreement.  The Heads of Agreement - Page 3, Sections 4.2.1 reads “This Agreement will be for  a period of three (3) FYS 2012-2015. Wages for the period will be settled in  keeping with the promulgated wage ceiling of the government i.e. a wage to Nominal GDP ratio of 9% by March 2016.”[[114]](#footnote-114) |
| Indicator III.1.2  Policy of no central government salary increases to meet an annual wage bill target implemented  (FSPG III – product 3.1  contract section 2.03.II.(a)) | Policy | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the FS informing that the policy on no central Government salary increases is being applied. |
| P(a) |  |  |
| A | 1  (Nov. 2015) | Official letter from FS to the Bank dated Nov. 8, 2016 (part III.1.c) providing evidence of compliance with section 2.03.II.(a) of the FISPEG III loan contract by way of affirming that the government is “Managing central government salary increases to meet target of no more than 10.3% of GDP for FY2015/16”[[115]](#footnote-115) |
| **Output III.2. PBs Rationalization** | | | | | | | |
| Indicator III.2.1  Work plan for the rationalization of the PBs, functions and existence  (FSPG I – product 3.2,  contract section 2.03(d)) | Work plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | Report from the PED of the MoF presenting the progresses in the rationalization process |
| P(a) |  |  |
| A | 1  (Jan. 2014) | Official letter from MoF to the Bank dated January 14th,  2014 certifying compliance with section 2.03(d) of the FISPEG I loan contract by way of transmitting approved updated Master Rationalization Plan [MRP] to rationalize PBs.[[116]](#footnote-116)  A detailed “Update on the Implementation of the Action Plan for Rationalization of PBs” is attached to the MRP. |
| Indicator III.2.2  Master Rationalization Plan to streamline the PBs implemented.  (FSPG III – product 3.2,  contract section 2.03.II.(b)) | Plan | 0 | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from the FS informing that the Master Rationalization Plan guidelines remain in force |
| P(a) |  |  |
| A | 1  (Nov. 2016)[[117]](#footnote-117) | Official letter from FS to the Bank dated Nov. 8, 2016 (part III.2.c) providing evidence of compliance with section 2.03.II.(b) of the FISPEG III loan contract by way certifying that the GoJ is “Continuing to Implement the Master Rationalization Plan [MRP] to streamline PBs[[118]](#footnote-118) |
| **Output III.3. PBs timely submission of annual reports** | | | | | | | |
| Indicator III.3.1  Compliance system of the PBs with reporting requirements implemented.  (FSPG I – product 3.3,  contract section 2.03(e))  (Note: FISPEG II loan contract section 2.03.II.(c) calls for the borrower to enforce…presentation of annual reports of *self-financing* PBs) | System | 0 | 2012/13 | P | 1  (2015/16) | 100% | Report from the Public Enterprise Division [PED] of the MoF presenting the progresses in PBs reporting |
| P(a) |  |  |
| A | 1  (May 2015) | Official letter from MoF to the Bank dated January 14th, 2014 certifying compliance with section 2.03(e) of the FISPEG I loan contract by way of transmitting the list of self-financing PB that have been reported for sanction as of December 31st , 2013 as well as copy of the model letter used to make the report.[[119]](#footnote-119) |
| Official letter from FS to Bank dated May 27, 2015 (part III.3.b) providing evidence of compliance with section 2.03.II.(c) of the FISPEG II loan contract by way of transmitting a list of PBs that submitted annual reports including audited financial statements for FY2013/14 within the agreed six month period. |
| Indicator III.3.2  Report that verifies the number of self and non-[self-] financing PBs that have presented the[ir] Financial Statement\* on time [i.e.] presented [within 6 months of] ~~at~~ the end of the FY  (FSPG II – product 3.1,  contract section 2.03.II.(c) as regards self-financing PBs)  \*The MoF properly refers to these statements as “Annual Reports”. | Report | 0 | 2012/13 | P | 2  (2016/17)  consisting of  1  (2014/15)  1  (2015/16) | 100% | Letter from the FS listing all the self and non-self-financing PBs which submitted the annual Report with Financial Statement audited FY 2013/2014 [and FY 2015/16] |
| P(a) |  |  |
| A | 2  (2016/17)  consisting of  1  (2014/15)  1  (2015/16) | - Official letter from FS to Bank dated May 27, 2015 (part III.3.b) providing evidence of compliance with section2.03(c) of the FISPEG II loan contract by way of providing a list of self-financing PBs that submitted the annual reports including audited financial statements for FY 2013/14 within the agreed six-month time period.[[120]](#footnote-120) |
| - Separate PED report submitted to Bank as of June 1, 2016 on Status of submission of Annual Reports for FY 2014/15 |
| - Update (as of Feb. 2017) of PED report on “Submission of Annual Reports to Parent Ministries FY2015/16” |
| Indicator III.3.3  Self-financing PBs Report with Financial Statement submitted on time.  (FSPG III – product 3.3,  contract section 2.03.II.(c)) | Report |  | 2012/13 | P | 1  (2013/14 on) | 100% | Letter from the FS listing all the self-financing PBs which submitted the annual Report with Financial Statement. |
| P(a) |  |  |
| A | 1  (Nov 2016)[[121]](#footnote-121) | Official letter from FS to the Bank dated Nov. 8, 2016 (part III.3.c) providing evidence of compliance with section 2.03.II.(c) of the FISPEG III loan contract by way certifying that the GoJ is continuing to strengthen accountability and transparency of PBs by demonstrating improvement in the proportion of PBs presenting their annual reports within the stipulated time period. [[122]](#footnote-122) |
| **Output III.4. PBs Database System** | | | | | | | |
| Indicator III.4.1  (Deactivated – See Table 1)  Database system implemented to allow the PBs report in a standardized format  (FSPG I – product 3.4)  (This indicator does not appear in the FISPEG I policy matrix or loan contract) | System | 0 | 2012/13 | P | 1  (2015/16) | N/A | Report from the PED of the MoFP printed from the new Database system. |
| P(a) |  |  |
| A | Target being achieved by other means | The PED report as stipulated was not prepared, although the final report of a Government of Korea knowledge-sharing arrangement with the GoJ was presented.  Instead the PED issued an explanatory statement indicating that the essential elements of recommendations derived from the arrangement are being implemented by other means.[[123]](#footnote-123) |
| **Output III.5. NWC and JUTC economic and financial study** | | | | | | | |
| Indicator III.5.1  Analysis on the economic and financial situation of the National Water Commission (NWC) and the Jamaican Urban Transit Company (JUTC) finalized and presented to the Bank.  (FSPG II – product 3.2,  contract section 2.03.II.(d) which calls for the Bank-sponsored study of NWC & JUTC to be completed) | Report | 0 | 2012/13 | P | 2  (2016/17)  consisting of  1  (2014/15)  1  (2015/16) | 100% | Letter from FS attaching the comments on the report for the strengthening of the economic and financial situation of the NWC and the JUTC.[[124]](#footnote-124) |
| P(a) |  |  |
| A | 1  (May 2015) | - Official letter from FS to Bank dated June 9, 2015 (part III.4.b) providing evidence of compliance with section2.03.II.(d) of the FISPEG II loan contract by way of transmitting MOF comments on the Bank-sponsored study of NWC and JUTC[[125]](#footnote-125) |
| Indicator III.5.2  Bank-sponsored study on the economic and financial situation of the NWC and JUTC completed  (FSPG III – product 3.4.  contract section 2.03.II.(d)) | Study | 0 | 2012/13 | P | 1  (2015/16) | 100%[[126]](#footnote-126) | Letter from the FS informing that the Bank-sponsored study recommendations for NWC and JUTC entities have been considered. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from FS to the Bank dated Nov. 10, 2016 (part III.4.c) providing evidence of compliance with section 2.03.II.(c) of the FISPEG III loan contract by way certifying that the JUTC and NWC have implemented various measures that are consistent with the conclusions of the study.[[127]](#footnote-127), [[128]](#footnote-128) |
| **OUTPUTS (Products) for COMPONENT IV – Ensuring Fiscal Sustainability of the National Insurance Scheme** | | | | | | | |
| **Output IV.1 Reform Plan to improve fiscal sustainability** | | | | | | | |
| Indicator IV.1.1  Reform Plan to the NIS that addresses the contribution rate, the benefits and the coverage is proposed in order to improve its fiscal sustainability. These measures incorporate the gender dimension, differentiating with the highest possible rigor the effects between male and female beneficiaries.  (FSPG I – product 4.1,  contract section 2.03(f)) | Reform Plan | 0 | 2012/13 | P | 1  (2015/16) | 100% | Concept Paper for reform of the National Insurance prepared by Ministry of Labor and Social Security (MLSS) |
| P(a) |  |  |
| A | 1  (Jan 2014) | Letter from the Cabinet Secretary to the Bank dated January 6, 2014 certifying compliance with section 2.03(f) of the FISPEG I loan contract by way of confirming receipt of the Concept Paper and provision of a copy of the Concept Paper.[[129]](#footnote-129) |
| Indicator IV.1.2  The Green Paper for the reform of the National Insurance Scheme prepared and submitted to Cabinet.  (FSPG II – product 4.1,  contract section 2.03.III.(a)) | Green Paper | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the PS of the Ministry of Labor and Social Security attaching the copy of the letter to Cabinet submitting the Green Paper, with the examination of the various options, and their fiscal impact on the Government; Stakeholder consultations; and an action plan that includes timelines |
| P(a) |  |  |
| A | 1  (May 2015) | - Official letter from FS to Bank dated May 27, 2015 (part IV.1.b) providing evidence of compliance with section 2.03.III.(a) of the FISPEG II loan contract by way of transmitting a letter from the PS MLSS dated March 26, 2015 certifying submission of Green Paper on NIS reform to Cabinet |
| Indicator IV.1.3  Position Paper for reform of the National Insurance Scheme approved  (FSPG III – product 4.1,  contract section 2.03.III.(a)) | Position Paper | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the PS of the Ministry of Labour and Social Security informing that the Position Paper has been approved. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part IV.1.c) providing evidence of compliance with section 2.03.III.(a) of the FISPEG III loan contract by way of informing of “Cabinet approval of Position Paper on the preferred option for the NIS Reform and its fiscal impact…:[[130]](#footnote-130) |
| Indicator IV.1.4  Stakeholder working group on the reform of the NIS established.  (FSPG III – product 4.2  There is NO contractual requirement directly related to this indicator) | Working Group |  | 2012/13 | P | 1  (2014/15) | 100% | Stakeholder working group on the reform of the NIS established. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | FISPEG III loan proposal, (PR-4469, 29 Nov. 2016)  paragraph. 3.3 “Coordination between government entities”[[131]](#footnote-131) |
| **Output IV.2 Actuarial Analysis** | | | | | | | |
| Indicator IV.2.1  Updated actuarial Analysis of the NIS that is displayed for public consultation and updated regularly  (FSPG I – product 4.2,  contract section 2.03(g) calls for MLSS to submit an actuarial analysis of the NIS to Cabinet) | Actuarial Analysis | 0 | 2012/13 | P | 1  (2015/16) | 100% | Actuarial Analysis of the NIS sent by the Ministry of Labor and Social Security (MLSS) to Cabinet |
| P(a) |  |  |
| A | 1  (2013/14) | The borrower complied with section 2.03(g) of the loan contract by “confirming receipt of the actuarial analysis and provision of a copy of the actuarial analysis of the NIS” (memo PO-JA-L1038 Disb, Feb. 4, 2014, ¶3.26) |
| Indicator IV.2.2  Document from the Permanent Secretary (PS) of the Ministry of Labor and Social Security, regarding the preparation of a Bill mandating that an actuarial analysis of the NIS is required every three years, reviewed and approved by the government.  (FSPG II – product 4.2,  contract section 2.03.III(d)) | Document | 0 | 2012/13 | P | 1  (2014/15) | 100% | Letter from the PS of the Ministry of Labour and Social Security attaching the copy of a Letter from the Cabinet secretary to the PS of MLSS approving instructions. |
| P(a) |  |  |
| A | 1  (March 2015) | Official letter from PS/MLSS to Bank dated March 26, 2015 transmitting a copy of the letter from the Cabinet Secretary confirming that the Bill was in preparation.[[132]](#footnote-132) |
| Indicator IV.2.3  Actuarial analysis of the NIS published.  (FSPG III – product 4.3,  There is NO contractual requirement directly related to this indicator) | Report | 0 | 2012/13 | P | 1  (2014/15) | 100% | Letter from the PS of the Ministry of Labour and Social Security (MLSS) informing that NIS actuarial analysis has been published and remains publicly displayed. |
|  |  | P(a) |  |  |
|  |  | A | 1  (2014/15) | The original actuarial analysis is available[[133]](#footnote-133) |
| Indicator IV.2.4  Bill to require an actuarial analysis of the NIS every three years tabled.  (FSPG III – product 4.4,  contract section 2.03.III.(b)) | Bill | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the PS of the Ministry of Labour and Social Security informing that the Bill has been tabled in parliament. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part IV.4.c) providing evidence of compliance with section 2.03.III.(b) of the FISPEG III loan contract by way of certifying the “Tabling in Parliament of a Bill requiring actuarial analysis of the NIS every three years.”[[134]](#footnote-134) |
| **Output IV.3 Database Management System** | | | | | | | |
| Indicator IV.3.1  [Report on current state of and proposal for a] New Database Management Information System that communicates beneficiaries’ information with other Government agencies and that allows timely and accurate processing of claims and payment of benefit.[[135]](#footnote-135)  (FSPG I – product 4.3,  contract section 2.03(h)) | System | 0 | 2012/13 | P | 1  (2015/16) | 100% | Report on the current state of the hardware and software of the NIS and a proposal for the creation of an NIS Management Information System |
| P(a) |  |  |
| A | 1  (Jan. 2014) | Official letter from PS / MLSS to Bank dated Jan. 3, 2014 certifying compliance with section 2.03(h) of the FISPEG I loan contract by way of transmitting copy of the assessment of the NIS hardware and software and the proposal for a DMIS.[[136]](#footnote-136) |
| Indicator IV.3.2  Report assessing the progress of the implementation of the hardware and software for the creation of the specified NIS-MIS prepared, reviewed and approved by the government.  (FSPG II – product 4.3,  contract section 2.03.III.(e)) | Report | 0 | 2012/13 | P | 1  (2014/15) | 100% | Letter from the PS of the Ministry of Labor and Social Security (MLSS) attaching the copy the approved proposal for the creation of an NIS Management Information System (MIS). |
| P(a) |  |  |
| A | 1  (March 2015) | Official letter from PS/MLSS to bank dated March 26, 2015 certifying compliance with section 2.03.III.(e) of the FISPEG II loan contract by way of attaching a copy of the approved Terms of Reference for the Jamaica National Insurance Software System.[[137]](#footnote-137) |
| Indicator IV.3.3  Key modules of the NIS‑MIS system is operational  (FSPG III – product 4.5,  contract section 2.03.III.(c)) | System | 0 | 2012/13 | P | 1  (2015/16) | 100% | Letter from the PS of the Ministry of Labour and Social Security informing that the key modules of the NIS-MIS system are operational. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from FS to the Bank dated Nov. 8, 2016 (part IV.4.c) providing evidence of compliance with section 2.03.III.(c) of the FISPEG III loan contract by way of certifying “Operationalization of key modules of the specified NIS Management Information System (MIS)” and referencing the letter from PS/MLSS |
|  | | | | | | | |
| **OUTPUTS (Products) for COMPONENT V - Strengthening the Fiscal Responsibility Framework** | | | | | | | |
| **Output V.1 Fiscal Rules** | | | | | | | |
| Indicator V.1.1  Legal Framework and Regulations drafted for the Fiscal Rule  (FSPG I – product 5.1,  contract section 2.03(i)) | Legislation | 0 | 2012/13 | P | 1  (2015/16) | 100% | Fiscal Rule Framework legislation |
| P(a) |  |  |
| A | 1  (Jan. 2014) | Letter from the Cabinet Secretary to the Bank dated January 6, 2014 certifying compliance with section 2.03(i) of the FISPEG I loan contract by way of confirming Cabinet Approval of: (i) the Concept Paper; and (ii) the issue of drafting instructions.[[138]](#footnote-138) |
| Indicator V.1.2  Document drafting the Legal Framework and Regulation for the Fiscal Rule reviewed and approved by the government.  (FSPG II - product 5.1,  contract section 2.03.IV.(a)) | Document | 0 | 2012/13 | P | 1  (2014/15) | 100% | Letter from the FS indicating that the Fiscal Rules are effective for FY 2014/15 |
| P(a) |  |  |
| A | 1  (May 2015) | - Official letter from FS to Bank dated May 27, 2015 (part V.1.b) providing evidence of compliance with section 2.03.IV.(a) of the FISPEG II loan contract by way of certifying passage of the PBs Management and Accountability (Amendment) Act, 2014 and the Financial Administration and Audit Act (FAA), 2014[[139]](#footnote-139) |
| Indicator V.1.3  Enhanced Fiscal Rules implemented  (FSPG III – product 5.1  contract section 2.03.IV.(a)) | Rules | 0 | 2012/13 | P | 1  (2014/15) | 100% | Letter from the FS informing that the enhanced Fiscal Rules are being implemented. |
| P(a) |  |  |
| A | 1  (Nov. 2016) | Official letter from FS to the Bank dated Nov. 8, 2016 (part V.1.c) providing evidence of compliance with section 2.03.IV.(a) of the FISPEG III loan contract by way of certifying “The enhanced rules of the Fiscal Responsibility Framework remained in effect for FY 2015/16”[[140]](#footnote-140) |

### c. Analysis of the Results Attribution

A counterfactual analysis was carried out on the tax policy and administration initiatives of the program as these constituted the most consequential of the five components of the program. The estimates of the counterfactual scenarios were derived utilizing a Dynamic Computable General Equilibrium (DCGE) model, and are presented in Annex III, Jamaica Tax Reform Assessment. As noted in the introduction, “The objective of this report is to present an assessment of the comprehensive tax reform performed by the Government of Jamaica (GOJ) through 2011 – 2017.” (p. 9). Specifically, the analysis was carried out fully cognizant that these reforms had been supported not only by the three FISPEG operations, but also the predecessor (truncated) FCP (JA-L1032 & JA-L1034), the OI of the TC agreement (JA-T1066), the investment-loan-funded tax administration program (FAMP – JA-L1039), and the parallel IMF SBA and EFF programs. Because these programs were interrelated and mutually supportive, as discussed elsewhere in this report, the counterfactual analysis perforce is of their combined impact vs their collective absence.[[141]](#footnote-141) Following are the general findings of the report followed by the findings of the counterfactual analysis. (with references to the page numbers in the report):

**General findings of the Jamaica Tax Reform Assessment (Annex III)**

* The 2013 tax reform eliminated most discretionary waivers and eliminated or rationalized many categories of tax expenditures (p. 9).
* The tax measures introduced since 2009 have shifted the burden of the tax system from direct to indirect taxes (p. 9).
* A key component of the tax reform has been the widening of the tax base. The incorporation of government purchases into the GCT base represents a significant step in the widening of this base of indirect taxes (p. 9).
  + [As noted in the discussion on outcomes above (see Outcome indicator 3.1) the revenues associated with this initiative substantially exceeded expectations.]
* Another key component of the tax reform has been the reduction of tax expenditures. Total tax expenditures have decreased from 6.5% of GDP in 2011 to [3.7% in 2015 and] 3.5% in 2016. Discretionary waivers have decreased from 1.0% of GDP in 2011 to 0.6% in 2016 (p. 10)
  + As percentage of GDP, statutory tax expenditures have fallen from 4.3% in 2011 to 1.8% in 2015. It is important to notice that efforts to reduce tax expenditures in Jamaica date to years before the 2013 tax reform. They were part of the truncated 2010 IMF’s SBA and Bank’s [FCP] program (p. 56)
  + Discretionary waivers are tax expenditures granted by the MoF at the discretion of its minister. The have decreased from 2.4% of GDP in 2006 to 0.4% in 2013. However, in the last two years they have started to grow again [to roughly 0.9% in 2015] as a result of waivers granted to Import Duty and SCT on Fuel products. (p. 56 & graph on p. 57)
* Implementation delays notwithstanding, the Jamaican tax reform has had a positive impact on mobilizing tax revenue. Measured as percentage of GDP, tax revenue increased from 23.5% at the beginning of 2013 to 25.6% at the end of FY 2016/17. After a false start in 2013, tax revenue has continued to increase as a percentage of GDP and estimates for 2017 indicate that this trend should continue. (p. 11)

**Findings of the counterfactual analysis[[142]](#footnote-142)**

* The overall indication of the simulation exercise is that GDP real growth would have been lower if no tax policy and tax expenditure measures had taken place. The cumulative percentage deviation from the baseline solution for the period 2012 – 2018 would have been 4.79%. In other words, in the absence of the tax reform the economy would have experienced 4.79% lower growth. This is equivalent to 0.94% lower real growth rate per year. (p. 17)
* Unemployment levels in the counterfactual [without program] are higher in relation to the baseline [with program] scenario as a consequence of relative lower growth rates in all sectors. Removal of biased structure of tax expenditures tends to favor higher growth rates in the primary sector. (p. 17)
* Total tax revenue is lower in the counterfactual scenario relative to the baseline in all year of the simulation exercise. The direct impact on tax revenue of removing tax policy measures and tax expenditures is enhanced by the indirect impact of lower growth rates and higher inflation rates on the counterfactual scenario. (p. 17)
* The ratio Public Debt/GDP increases relative to the baseline along the time horizon of analysis for the counterfactual. Lower tax revenue translates into higher levels of debt. (p. 17)
* Poverty levels measured as a percent of population in the counterfactual are initially lower than the baseline, but they become higher in the out years of the simulation exercise. (p. 17)
* Another overarching conclusion from the simulation exercise, is the progressive nature of the negative “inflation tax” effect resulting from the removal of tax expenditures. (p. 18)
  + Notwithstanding initial higher poverty levels and higher inequality, inequality in the counterfactual does not change significantly in relation to the baseline (similar GINI values) along the simulation horizon. (p. 18)
  + The beneficial aspects of the tax reform in terms of poverty and inequality have not been instantaneous. At the beginning of the tax reform there was an increase in poverty levels and inequality. With time, compensating measures, an increase in social assistance (PATH and other safety nets programs) together with less inflation, more GDP growth, and less unemployment have factored in and reduced poverty levels and in a lesser degree inequality. (p. 19)
* The tax reform and the tax expenditure reduction have represented a significant transfer of resources from the private sector to the government. (p. 19)
* Consumption expenditure measured net of indirect taxes (net expenditure) falls less in lower quintiles than in higher ones through the time horizon of the simulation exercise. (p. 19)

**Conclusions from the counterfactual analysis**

* The direct and indirect impacts of the tax reform are positive overall. Notwithstanding delays in implementation of tax policy measures and of the action plans on tax and customs administration, the progressive nature of the tax reform has resulted in a positive impact on the average Jamaican household. (p.19)
* The strengthening of the tax and customs administrations has contributed to the success of the tax reform. (p. 19)
* Tax reform has shifted the burden of the tax system from direct to indirect taxes making it less progressive. (p. 19)
* The main objectives of the tax reform, reduction of tax expenditures and broadening of the tax base have been achieved. (p. 19)
* The Omnibus Incentive Law has been instrumental in the promotion of new investment and the creation of new formal employment. (p. 20)
* The tax reform envisaged restructuring of tariff rates to reduce dispersion and distortion of relative prices. The restructuring of tariff rates has been a first step towards an efficient tariff system. The major impediment to reducing dispersion of customs tariffs is the Common External Tariff of CARICOM (Caribbean Community and Common Market). There is much to be done in terms of reduction of the dispersion of tariff rates. (p. 20)

**Attribution of results**

There was no impact evaluation for FISPEG. However, there is evidence to support changes can be attributed to the program. To keep the discussion tractable, we refer in this section to the relationships between products, outcomes and impacts described in Table A.

The public sector balance [general objective a] relates to tax revenues and expenditures [outcome indicators (i).c, (ii).a, (ii).b, and (iii).a and associated output indicators] by definition (Romer, 2006; Arenas de Mesa, 2016)[[143]](#footnote-143). Evidence from Pakistan and the United States shows that changes in the marginal tax depend on the context (Waseem, 2018, Slemrod and Kopczuk, 2002). However, changes in the marginal tax are likely to result in increases in firm reported income when enforcement mechanisms are effective (Kleven et al., 2011). FISPEG did strengthen audit capacity. This evidence supports the idea of that the effect of establishing the minimum business tax [(ii).a.1] and the caps on deductions [(ii).a.2] on tax revenue [(ii).a] was positive. The introduction of a GCT rate applied to government purchases [(ii).b] is likely to increase revenues unless purchases are underreported. In the simulations we observe a positive relationship between FISPEG and revenue (See Annex III).

The increase in the number of professional staff in the LTO [(ii).c.1] and the implementation of systems [(ii).d.1] should have led to more audits performed [(iii).c] and the audit time to decrease [(iii).d]. These changes should have led to an increase probability of audit for firms. Indeed, we find increases in both outcome indicators which would be hard to justify in the absence of FISPEG. Evidence from Spain shows audits [(ii).c and (ii).d] may have heterogeneous effects on tax revenue [Associated to objective a] (Almunia and Lopez-Rodriguez, 2012, Pomeranz, 2015). The Penalty Act for e-filing [(ii).e.1] increased the probability that firms will be penalized. Traditional models predict the positive correlation we observe between the implementation of the Act and the number of firms filing [(ii).e] (Allingham and Sandmo, 1972). Evidence from the USA shows the effect of e-filing [(ii).e] on tax revenue [associated to objective a] is likely to be heterogenous as well (Slemrod et al., 2017). Indeed, firms react strategically depending on the amount of information already available to the state and audit coverage (Kuchumova, 2017). Given the low coverage and information in Jamaica before FISPEG, theory would predict impacts to be positive.

There is no direct evidence on the effect of compliance systems of the PBs [(iii).b.1] on reporting to the MoF [(iii).b] or economic growth [Associated to general objective b]. However, there is evidence that the use of systems [such as (iii).b.1] and transparency by GCT reports on purchases [(ii).b] lead to improved public-sector performance through accountability. Evidence from India shows improved information across levels of government resulted in a more efficient use of resources (Banerjee et al., 2017). Accountability has been long known to be a contributor to good governance and economic growth [objective b] (Acemoglu, 2001; Besley, 2002). Reductions of tax on employment were found to lead to slight increases of wage bills and employment in Sweden (Bennmarker et al, 2009). Thus, we would expect the association between the employment tax credit (ETC) [(i).b.1] and economic growth to be positive, which is what we observe in the results matrix.

As enunciated by the OECD, a fundamental principle of best international practice in management of state-owned enterprises is that “The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness.”[[144]](#footnote-144) One of the corollaries of this principle is the “Seting up [of] reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance…”[[145]](#footnote-145) Furthermore the ownership entity “…should ensure that it receives all necessary and relevant information in a timely manner…[giving it] a true picture of the SOE’s performance or financial situation enabling it to react on tome and to be selective in its intervention.”[[146]](#footnote-146) Based on this information the ownership entity (the MoF on behalf of the Government of Jamaica in this case) should “publish annually an aggregate report on SOEs.”[[147]](#footnote-147) To implement this centralized reporting in Jamaica, the current dual reporting system, whereby the SOEs report both to their portfolio ministries and to the MOF, would have to be modified, and the “Estimates of Revenue and Expenditure” publication, prepared by the PED would have to be expanded beyond its current coverage of most SFPBs and selected NSFPBs to include all public bodies. Clearly for the MoF to prepare a timely aggregate report it needs to receive the annual reports from the SOEs (both SFPBs and NSFPBs) within its purview on a prompt basis. By way of comparison, the Solomon Islands is also cognizant of the principle of prompt reporting; however has had limited success in its application, with only the Electric company completing its audited annual accounts within the required time.[[148]](#footnote-148)

The relationship between enhanced control over budgetary expenditures (iii) and strengthening the FRF (v) are discussed by Alessina y Passalacqua (2016) and Arenas de Mesa (2016). There is no causal evidence on the effect of budget rules [(v).a.1] on deviations from budget [(v).a] or economic growth [general objective a]. However, analysis for the USA from 1940 to 2005 shows a budget rule could be costly in the short run and beneficial in the long run to fiscal stability (Azzimonti, Battaglini and Coate, 2010). Fiscal stability is associated with economic growth. A country with weak financial stability is forced to limit public goods and services, increase taxes, faces higher cost of capital, and may depreciate currency. These factors curb local investment and crowd out investment in other countries. These factors inhibit economic growth (Romer, 2006; Arenas de Mesa, 2016).

Much of the evidence from other countries is not conclusive. A before vs. after comparison (Table 2) and the simulation analysis show how the program may have led to substantial changes in the dimensions it sought to improve. We conclude that some of the observed changes in growth and fiscal balance, along with those captured by outcome indicators can be attributed to FISPEG.

### d. Unanticipated outcomes

The FISPEG operation had no unanticipated outcomes of consequence to the overall program. In the tax policy and tax administration reform areas the outcomes were highly beneficial to the country both quantitatively and qualitatively. Performance in the areas of PB reform and National Insurance reform fell short of expectations; however, this was not unanticipated as the institutional weaknesses were well known in both areas. It may even be said that FISPEG has helped to set the stage for future improvements, just as the FCP, while failing to meet its objectives, set the stage for the substantial tax policy and tax administration reforms accomplished by FISPEG. As noted in the GoJ comments “It is our view that future relationships should consider adequate co-ordination and consultation with all relevant stakeholders in order to guide expectations, as well as the crafting of the Programme’s various operations.” (See Optional Electronic Link (OEL) #7, item 11)

## Efficiency

A quantitative ex-ante and ex post analysis of benefits and costs was carried out for Component II, the strengthening of tax policy and administration, which as discussed previously was the primary focus of the FISPEG operation. Components III, IV, and V (i.e. excluding Component I) were also anticipated to yield benefits and incur costs, however these were not quantified.

While a formal ex-ante cost-benefit analysis of the tax reform component was included among the attachments to the three loan proposals, it was not possible to reproduce this analysis ex-post due to data limitations. Instead the ex-post quantification of benefits has relied on information from the counterfactual simulations reported in the Jamaica Tax Assessmentpaper (Annex III). As the approach taken in the ex-ante analysis differs from the DCGE model methodology used in the ex-post analysis, no formal comparison of ex-ante and ex-post Internal Rate Returns (IRRs) and Net Present Values (NPVs) is possible. Instead the Present Values (PVs) of the various revenue and cost streams are independently calculated and presented for a more qualitative assessment. These individual streams and their PVs are reported in Annex IV.

For the sake of brevity only the findings of this assessment are presented here. The interested reader is referred to Annex IV for a discussion of their derivation and computation. It must be stressed that all values are estimates and that all caveats generally related to model simulations apply in this case as well. With this in mind and taking the reforms as a whole, including those initiated under the predecessor FCP operation and acknowledging the invaluable collaboration with the IMF, the PV of benefits of these combined interventions is estimated to be greater than US$1.5 billion,[[149]](#footnote-149) roughly 4 to 5 times the PV of their probable cost, estimated to be in the range of US$250-300 million.[[150]](#footnote-150) (This cost estimate has no relationship to the costs of the project as displayed in Table 3 below. – See accompanying footnote and discussion in Annex IV.)

As discussed in Annex IV the DCGE model allows for separating out the benefits associated primarily with the first (FCP) set of interventions. Subtracting these benefits from those of the combined interventions yields a crude estimate of the benefits attributable to the FISPEG operation alone. To the extent the benefits solely from the FISPEG operation can be estimated in this manner, it may be said that they also substantially exceeded their costs, i.e. by a factor of three to four times,[[151]](#footnote-151).

**Project Costs**

The PCR Guidelines call for a listing of the planned and actual project costs. In the case of PBLs these are the amounts of the respective loans. The costs listed in Table 3 do NOT reflect the expenditures associated with implementing the reforms supported by the program. These implementation costs are discussed in Annex IV. The Table 3 figures refer solely to the loan amounts of the three PBLs[[152]](#footnote-152) As noted in Table 3 there were no changes between planned and actual amounts of the three PBLs.

**Table 3 Costs of the Project**

(US$ millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2014  (FISPEG I) | 2015  (FISPEG II) | 2016  (FISPEG III) | 2017 | Total Cost |
| P | 80 | 130 | 50 | - | 260 |
| P(a) |  |  |  |  |  |
| A | 80 | 130 | 50 | - | 260 |

## Sustainability

Building upon the earlier FCP initiatives, the FISPEG operation in conjunction with the parallel FAMP investment program has achieved numerous beneficial results (see the outcomes section of Table 2 above), particularly in the tax reform area. The reforms supported by the program established a legal framework that guarantees the sustainability of the results; moreover, the legislative process to modify or replace the reforms, makes it difficult to reverse them. Table D provides a recap of these results and the conditions needed to assure their continuation and thereby the sustainability of the program as a whole.

**Table D: Assessment of Conditions Needed to Sustain and Improve Upon FISPEG Results Already Achieved**

| **Results already achieved** | **Conditions necessary for continuation of program results** | **Probability** | **Negative impacts of non-achievement** |
| --- | --- | --- | --- |
| Increased tax revenue as % of GDP | Continuation of a stable macroeconomic environment. | Medium | An exogenous deterioration in the macro-economic environment could lead to calls for cuts in tax rates and reintroduction of loopholes (tax expenditures). |
| Decreased ratio between tax expenditures and the GDP (tax distortion) | Unwavering enforcement of existing restrictions on tax expenditures and resistance to enacting new “incentives” for special purposes. | Medium | The pressure to introduce new tax expenditures is incessant. Any major concession could set a very unfortunate precedent. |
| Increased number of, and reduced time taken for, taxpayer audits particularly of large and medium taxpayers | Maintenance of high quality staff at TAJ and JCA and hiring of additional staff as needed for increased workload. | High | The benefits of increased audits in terms of increased tax revenues are clear. Conversely the impact of reduction in audits is demonstrably deleterious. |
| Increased e-filing of taxpayer returns | Maintenance and upgrading of RAiS data processing system to continue to accommodate high usage rates by large taxpayers, while increasing usage particularly by small and micro taxpayers. | High | Any retrogression to a more paper-based system of tax filing and processing would strain the limited personnel resources of the TAJ and JCA and would lead to greater errors |
| Decreased annual central government wage bill | Continued wage restraint by government workers union and vigilance over creation of new positions | High | Past experiences with yielding to unsustainable wage demands have amply demonstrated their ruinous budgetary repercussions. |
| Increased PBs compliance with financial reporting requirements | Continued MoF/PED vigilance in enforcing the existing reporting requirements and greater outreach particularly to the non-self-financing PBs, via training programs, workshops etc., to assure they (a) prepare financial statements and (b) remit them to the MoF and their parent line ministries promptly and accurately. This would require greater coordination between the PED and the other division within the MoF directly responsible for NSFPB oversight, which would also need to be strengthened. It is understood that these reforms are contemplated in the Ministry’s transformation programme Implementation of the recommendations of the Bank-sponsored study on standardized format database system, or a functional equivalent, would help in this regard as well as providing a much improved PB financial planning tool. It is understood that “PED has made progress in finalising a Performance Monitoring and Evaluation Framework which will guide the development of such” (See OEL #7, item 12.d) | Low to Medium | The GoJ has long experienced the results of inadequate fiscal control over its PBs. Due to the decentralized nature of their governance it has been difficult to enforce compliance with reporting requirements and the negative impacts of not doing so have been abundantly evident. Probability of overcoming these difficulties is rated low to medium due to limited success of past efforts in this regard. |
| Movement toward a decrease of the actuarial deficit of the NIF | While several of the FISPEG initiatives in this area fell short of their planned outcomes, much ground was gained in terms of approval of legal requirements for more regular and frequent actuarial analyses of the NIF as well as carrying out a study of required parametric reforms of the NIS to assure its long-term sustainability. The MLSS has agreed to many of the study’s recommendations and their complete implementation is now needed. | Medium to high | The negative impacts of non-achievement of this result are already well known in terms of the impending financial insolvency of the NIF. The government can ill afford to bailout the Fund, although this would be almost inevitable, given the importance of the Fund to a broad segment of the Jamaican population. |
| Movement toward decreased time for NIS pensions claims processing | FISPEG included a quantitative target for this process which was unable to be measured due to the NIS’s conversion to a much-needed new computer system (which is also receiving Bank support). Full implementation of the system is paramount in achieving this goal as well as more broadly improving the efficiency, accuracy and timeliness of records management at the NIS. | High | The already unacceptable backlog in claims processing, not to mention the inaccuracies and oversights in calculation of benefits due would only increase if these measures to improve the IT capacity were not completed. |
| Decreased delay in implementing corrective measures to address deviations from budget | The legislation to achieve this outcome has been approved and since then there have been no extraordinary circumstances that would precipitate its implementation. However, these circumstances will inevitably arise and in order to assure that the measures specified in the legislation will be taken the relevant institutional infrastructure in Parliament and particularly at the MoF needs to be strengthened. | High | Past experiences with revenue shortfalls and unexpected increases in expenditures have been only too frequent in Jamaica, and the negative impacts on the deficit and stock of debt only too well known. Thus, there is no shortage of understanding of what the negative impacts of non-compliance with the parameters of the Fiscal Responsibility Framework would be. |

# Non-Core Criteria

## Strategic Alignment

FISPEG was aligned with one of the development challenges identified in the Update to the Institutional Strategy (UIS).[[153]](#footnote-153) Specifically FISPEG indirectly contributed to the second of the UIS challenges, namely Productivity and innovation. By simplifying the tax system, broadening the base and lowering the rates the program helps to improve the business climate in which innovation can take place.[[154]](#footnote-154) This in turn should help to improve productivity although the link is admittedly indirect. On the other two UIS challenges, social inclusion and economic integration*,* FISPEG has less to offer, although it may be argued that the ETC initiative helps to bring more workers into the formal sector labor force,[[155]](#footnote-155) thereby improving their social inclusion and that of their families.

FISPEG also was closely aligned with cross-cutting theme (iii) identified in the Guidelines, namely; Institutional Capacity and Rule of Law**.** As noted in the previous sections of this report the program along with the complementary FAMP investment loan have had a major positive impact on the institutional capacity of the TAJ and JCA, the two most important revenue agencies of the GoJ. Improvements were also made in the institional capacity of the Public Enterprises Division of the MoF and of the National Insurance Scheme adminstration at the MLSS. These latter initiatives were aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) and the Fiscal Policy and Management Sector Framework Document (GN-2831-3).

## Monitoring and Evaluation (M&E)

### M&E Design

The M&E plan was designed around and based upon the indicators in the RM as noted in the FISPEG I Loan Proposal.[[156]](#footnote-156) The plan called for regular monitoring and reporting on these indicators and for responding to several key questions regarding the execution of the program and specifically whether the policy reforms:[[157]](#footnote-157) (i) generated enough fiscal space to allow public investments to promote economic growth; (ii) improved the public deficit balance; (iii) improved the quality of tax reform; (iv) improved the efficiency in the execution of tax (TAJ) and customs (JCA) administration; (v) improved the quality of public expenditure; (vi) improved the monitoring of the PB; (vii) improved the quality of the NIS; and (viii) improve the FRF environment.

1. **M&E Implementation**

The M&E plan was broadly carried out as anticipated. The performance criteria implicit in the questions raised by the M&E design were embedded in the corresponding policy matrix and conditions precedent to loan disbursement. Thus, as each stage of the operation was presented for approval, compliance with these M&E performance criteria were being evaluated.

The three operation-specific RMs were combined into the consolidated RM displayed as Table 2 above as part of the preparation of this PCR. This consolidated RM provides the framework for the complete set of performance criteria specified during program preparation and execution. As part of this consolidation process the interim and end-of-program actual values for the indicators were collected and entered into this RM and subsequently uploaded into the Convergence platform.

The counterfactual analysis presented in Annex III and the ex-post analysis of relative benefits and costs presented in Annex IV form integral building blocks of the M&E design and implementation. The findings of these analyses provide complementary information which demonstrates the strong performance of the tax policy and administration component of the program.

### M&E Utilization

The relevant results of the early interventions in FISPEG I were taken into account in the fine tuning of the design of the subsequent FISPEG II operation and similarly the results of this second stage were useful in the design of FISPEG III. This beneficial feedback was particularly pronounced in the case of Component II (Tax Reform) of the program. The M&E findings have also been taken into account in the execution of the parallel FAMP operation.

## Use of Country Systems

As the operation was designed as a PBP consistent with the provisions established in CS-3633‑1 “Policy-based Loans: Guidelines for Preparation and Implementation New Version”, the use of national fiduciary or non-fiduciary systems was not required.

**4.4 Environmental and Social Safeguards**

Not Applicable.

# Findings and Recommendations

Table 4 contains preliminary findings and recommendations from this review of the design and implementation of the FISPEG operation. They are grouped according to the five dimensions specified in the PCR *Guidelines* (¶ 5.2, p. 17).

**Table 4**

**Findings and Recommendations**

| **Findings** | **Recommendations** |
| --- | --- |
| Dimension 1: Technical-sectorial | |
| Finding # 1Project Maturity at the time of approval: The FISPEG operation was well matured at the time of approval because of the groundwork laid on the policy side by the predecessor Fiscal Consolidation Program (JA-L1032, L1034) and by the extensive analytical work sponsored by the Bank, both as part of the FCP and during period between the termination of the FCP and initiation of FISPEG, supported in part with funds from the Operation Implementation (OI) Technical Cooperation agreement (JA-T1066).  The close collaboration with IMF staff and development of mutually complementary fiscal reform programs was also very useful in this regard. | Recommendation # 1 It is essential to carry out extensive analytical work prior to the design and formal approval process of large and complex PBPs. |
| Recommendation # 2 Ideally Bank technical staff should maintain an ongoing dialogue with the authorities even in the absence of formal program preparation and execution.  agenda for the beneficiary country and sector. |
| Recommendation # 3 By the same token close coordination and preferably active collaboration with other international agencies, such as the IMF, is crucial to assuring a coherent, harmonized reform |
| Finding # 2 The large-scale parallel technical assistance and investment program, FAMP (JA-L1039), while not formally linked to either the predecessor FCP or to FISPEG, was extremely instrumental in achieving the tax and customs administration reforms sponsored by the program. | Recommendation # 4 Under circumstances when Bank-sponsored policy reform initiatives may be floundering, it is useful to step back and carry out an institution-building technical assistance program which addresses the critical weaknesses without the straightjackets imposed by a formal PBP. |
| Finding # 3 At the time of design of the three operations, the Results Matrices were insufficiently coordinated. This led to a plethora of indicators, several of which measured conceptually similar program initiatives, but which had to be treated separately in the PCR analysis due to their definitional differences. | Recommendation # 5 Multi-stage Policy Based Programs should minimize differences between the Results Matrix prepared for each stage. Ideally a single Results Matrix consisting of relatively few indicators and prepared at the time of the first operation should be used throughout the entire series of PBLs. |
| Finding # 4 The program had difficulty in meeting the target values of several of the outcome and output indicators included in the respective results matrices of the three operations. This underachievement has redounded unfavorably to the perceived effectiveness of the FISPEG operation. At the time of program design insufficient attention was paid to the feasibility of the achievement of several indicators. i.e. they were set at overambitious levels. | Recommendation # 6 As noted above, project design teams should be parsimonious in the number of Income and Output indicators used and should also specify with great care the EOP targets for these few, well-chosen indicators. In general, the targets should reflect realistic expectations rather than aspirational goals. The latter should be limited to only those that are central to program design.  . |
| Recommendation # 7 The limited capacity of counterpart agencies to generate quality data on these indicators in a timely manner needs also to be taken into account and the number of indicators set accordingly. Consideration should be given to providing technical assistance to address just this issue, although this must be balanced against other demands for limited TC resources. |
| Dimension 2: Organizational and managerial | |
| Finding # 5 Project management capacity: In the case of PBLs a primary counterpart management responsibility is assuring that all policy conditions are met in a complete and timely manner. Prior to the FISPEG operation the MoF had had considerable experience in managing PBLs, including the FCP, and was able to bring this experience to bear on the FISPEG operation. Delays in disbursements were reduced as a result. | Recommendation # 8 When conceptualizing a PBP, every opportunity should be taken to design it such that responsibility for its execution will be lodged with a ministry, and those units within that ministry, that are familiar with the PBL process. |
| Recommendation #9 When assessing the capabilities of the program execution unit, care must be taken to assure that personnel in the unit will not be unduly distracted by competing demands on their time and expertise. (i.e. “Firewalls” or other provisions are needed to mitigate the risk that senior ministry management might use these individuals for unrelated “firefighting” tasks.) |
| Finding # 6 Managerial responsibility for PBLs also extends to the “sub-executing agencies” i.e. those units directly responsible for carrying out their portions of the program, e.g. the MLSS in the case of Component IV (Ensuring Fiscal Sustainability of the NIS). In this case the management capacity was less robust. The specific policy conditions for this component, most of which also constitute outputs in the RM, were designed with these shortcomings in mind. As a result, the conditions were met (allowing the PBLs to be disbursed) However the outcomes expected of this NIS initiative were too ambitious and were not met. (see Table 2 Outcomes #16 & 17) | Recommendation # 10 While managerial competence of sub-executing agencies should not be a primary consideration when selecting program components, project teams need to be fully cognizant of the limitations of these entities and calibrate expectations not only for outputs but also for outcomes accordingly. |
| Recommendation #11 Given the heavy emphasis in the 2017 PCR Guidelines (OP-1242-5) on fulfillment of Results Matrix indicators, project teams need to be particularly careful to dispassionately assess the capacity of sub-executing agencies to meet outcome targets and to adjust them accordingly if found too ambitious. |
| Dimension 3: Public processes and actors | |
| Finding # 7 Ample technical discussions between the authorities and highly qualified Bank staff and consultants were critical in developing the tax policy and administration reforms sponsored by FISPEG. Maintenance of the project team intact over the life of the project cycle is essential for the continued delivery of intellectual and technical support to the counterpart agencies. | Recommendation # 12 The Bank should not shortchange funding (in the form of reimbursable or non-reimbursable TCs) for the contracting of ongoing outside technical expertise. This expertise should be retained not only for carrying out the technical research underlying program design but also, and perhaps more importantly, for engaging with counterpart authorities in “seminars” or similar peer-to-peer exchanges that emphasize substance rather than loan negotiations. |
| Recommendation # 13 By the same token, senior Bank management should make provision for direct-hire technical staff to fully participate and preferably lead these discussions. Specifically, greater administrative support should be provided to these technical staff members so that their time spent on “bureaucratic balderdash” is minimized. |
| Recommendation # 14 When establishing a project team every effort should be made not only to identify high quality specialists (be they direct-hire or consultants) but to assure they will be available to continue the project/program team over the expected life of the operation. |
| Finding # 8 Close and continuous involvement of the tax authorities with affected private-sector parties as well as with Parliament was a crucial ingredient in the approval and implementation of the substantial tax-policy reforms achieved by the program. | Recommendation # 15 Private sector stakeholders should be involved early and often in the policy reform process, particularly in countries with a strong parliamentary democracy tradition. |
| Recommendation # 16 Full and even repetitive discussions of contentious (e.g. tax expenditure) or complicated (e.g. application of GCT to government purchase) issues should be programmed into the design and execution of complex PBLs. |
| Dimension 4: Fiduciary | |
| Finding # 9 As a PBP, the FISPEG operation did not encounter fiduciary issues. Disbursement of the PBLs was handled efficiently and expeditiously. | Recommendation N/A |
| Dimension 5: Risk management. | |
| Finding # 10 Prior Bank experience with tax policy and tax administration in Jamaica was critical in managing the risks associated with the large, complex and ambitious tax reform agenda sponsored by the program.  This is one of the lessons learned from the Bank’s experience with the predecessor FCP operation, as discussed at length in the PCR for that program. | Recommendation # 17 As is implicit in the discussion of technical-sectoral dimension above, the Bank should never underestimate the risks of undertaking a reform program without having taken adequate prior technical work and consensus building with key counterparts. |
| Recommendation #18 When in doubt in this regard the Bank would be well advised to design and at least initiate implementation of a parallel technical cooperation operation (either grant or loan funded) including an investment component as appropriate to address any perceived shortcoming in prospective counterpart agencies that might derail the proposed PBP. (The experience of the FAMP operation in Jamaica is particularly instructive in this regard.) |
| Finding # 11 The FISPEG experience with the NIS reform component of the program demonstrates the obverse of this finding. While much useful analysis of the issues and follow-on discussions with counterpart staff was carried out, program support for this component was neither as broad or as deep as was provided in the tax reform area, and if anything, the counterpart institutions were weaker and less capable of internalizing the reforms. | Recommendation # 19 While it is desirable to be comprehensive and address all aspects of a sector’s weakness (e.g. in the case of fiscal reform both critical expenditure as well as revenue issues) PBP project teams need to be fully cognizant of the potential pitfalls of attaching a component to the program the implementation of which may require more outside technical and in-house logistical support than is likely to be made available (given Bank and counterpart budget constraints). |

1. While the primary focus of these initiatives is on improving the domestic tax regime, it should be noted that FISPEG also sponsored several reforms of Jamaica’s tariff structure. (See Table 2 below: Outcome II.2 (p. 28) and Output II.2 (pp. 40-41)). More broadly, Jamaica has undertaken robust tariff reforms in collaboration with the IMF and IDB, pursuant to the Letter of Intent dated December 2013. (See GoJ Comments on the PCR (Optional Electronic Link #7), p. 4) [↑](#footnote-ref-1)
2. The FY in Jamaica extends from April 1 to March 31 [↑](#footnote-ref-2)
3. The reported value of “Compensation of Employees” for 2016/17 was revised downward slightly to 10.0% in the 2017/18 edition of the GoJ Fiscal Policy Papers (see Table 3K) [↑](#footnote-ref-3)
4. **The IADB’s FCP, introduced in 2010, was originally planned to encompass fundamental tax reforms** **and was intended as a three-operation series**. The first operation included monthly caps on the issuance of discretionary tax waivers. The second operation was based on more in-depth work using better data regarding tax expenditures. However, tax compliance problems hindered the recovery of tax revenue that fell from 24% of GDP at the end of 2010 to 23% in early 2012. The third operation of the FCP that was envisaged to encompass more fundamental tax reforms was never approved in light of Jamaica’s off-track performance of the FMI’s SBA. As a result, achievements under the FCP were more modest than originally expected. The main success of the FCP program was the reduction of statutory and discretionary waivers granted. Also, initial steps of the action plan to strengthen tax and customs administration were also achieved under the FCP and the investment program (FAMP) was approved in support of tax and customs administration reform. FAMP has been instrumental for the acquisition and deployment of the Revenue Administration Information System (RAiS) in TAJ, and of UNCTAD’s ASYCUDA World integrated computerized customs management system in JCA.” See Annex III (J. Baca-Campodonico *Jamaica Tax Reform Assessment* p. 50). [↑](#footnote-ref-4)
5. Art IV Staff Report & SBA request, 29 Jan. 2010 [↑](#footnote-ref-5)
6. *Project Completion Report, Fiscal Consolidation Program* (JA-L1032, & JA-L1034), March 28, 2014, p. 3 [↑](#footnote-ref-6)
7. As noted in the FCP PCR, “During 2010 the SBA program was broadly on track and the GoJ was also able to meet the targets of the Fiscal Consolidation Program, although several adjustments had to be made to the latter…

   During 2011, however, expenditures exceeded targets due to a combination of *force majeure* (reconstruction needs arising from tropical storm Nicole), and, according to a high-level government official, a fiscally imprudent, although politically expedient, decision in April 2011 to accede to the high wage demands of the public-sector unions. At the same time revenues fell short of expectations due to weak tax collection capacity (an issue that the Bank recognized and subsequently addressed with the Fiscal Administration Modernization Program – JA-L1039) and limited tax policy reform, particularly in regard to curtailment of tax waivers and incentives. Delays in the privatization of the loss-making Clarendon Alumina Plant also reduced anticipated revenues.” (FCP PCR p. 9) [↑](#footnote-ref-7)
8. The Bank approved a partial cancellation of US$5 million on Aug. 30, 2016 thereby reducing the total to US$60m [↑](#footnote-ref-8)
9. IMF Jamaica Request for an Extended Arrangement Under the EFF, ¶19, 2nd bullet, p. 10 [↑](#footnote-ref-9)
10. See Outcomes #12 and #18 in Table 2 below. [↑](#footnote-ref-10)
11. The discussion in this section is drawn from the background sections of the FISPEG Loan Proposals. [↑](#footnote-ref-11)
12. See GoJ Comments (Optional Electronic Link – OEL - #7, p. 5). [↑](#footnote-ref-12)
13. The Debt-to-GDP reached 131.6 % (based on GOJ’s definition) at the end of FY2009/10 as outlined in the Medium-Term Debt Management Strategy for FY2013/14 to FY2015/16 (See OEL #7, p 5) [↑](#footnote-ref-13)
14. The reported values of these growth rates have been revised to -1.6 and -3.5 respectively, based on data that became available since the FISPEG Loan Proposals were prepared. (See OEL #7, p. 5) [↑](#footnote-ref-14)
15. IDB CS with Jamaica (2013-2014) ¶1.4, p 2. See also GN-2868, IDB CS with Jamaica (2016-2021) ¶2.5, p. 4 [↑](#footnote-ref-15)
16. GoJ Fiscal Policy Paper FY2013/14, p. 6 (18 April 2013) Part 1 “Fiscal Responsibility Statement” [↑](#footnote-ref-16)
17. As explained in discussion of Tables B and C below, FISPEG had a combined total of 23 outputs that are measured by 53 output indicators. [↑](#footnote-ref-17)
18. Some outputs can be considered more to have set the stage for potential future results or as inputs for other outputs. For example, in the case of NIS reform preparation of a concept paper was necessary to present and justify the measures needed for the proposed reforms. In turn a working group had to be assembled to consider these measures. These outputs in turn facilitated preparation of a green paper representing consensus of stakeholders on these proposals and their sequencing. These outputs were followed finally by Cabinet approval of the formal position paper for the reform of the NIS. [↑](#footnote-ref-18)
19. This indicator was not included on any of the results matrices. This indicator has been included for its relevance in the achievement of program objectives. [↑](#footnote-ref-19)
20. However, it is important to keep in mind that while seemingly a zero-sum exercise, this has the beneficial effect of improving transparency in government accounting as well as indirectly inducing greater payment of GCT by the government’s suppliers. This is because they now have an incentive to report the GCT they have to pay on their inputs in order to receive the refund against the taxes now collected on sales to the government [↑](#footnote-ref-20)
21. It also strengthens the institutional framework to improve budgetary procedures, bolster the Auditor General’s capacity and design a sanctions rule. See FISPEG II Loan Proposal ¶1.32, footnote 23 [↑](#footnote-ref-21)
22. Earlier versions of the *Guidelines* (OP-1242, OP-1242-1 and OP-1242-2 were all issued in July 2014 which was roughly 7 months after the first FISPEG operation was presented to the Board in January 2014. [↑](#footnote-ref-22)
23. See PCR Guidelines (OP-1242-5) ¶1.9 [↑](#footnote-ref-23)
24. Except for a few indicators from the Results Matrix for the first operation (JA-L1038) no information related to the three operation-specific RMs was entered into Convergence during the preparation and execution of the three operations. Consequently, the data had to be uploaded as one of the activities in the preparation of this PCR. [↑](#footnote-ref-24)
25. A few points on the methodology used in preparing the consolidated Results Matrix are in order:

    * In the three FISPEG operations the baseline year was always FY2012/13 i.e. from March 1, 2012 through April 30, 2013.
    * The planed “P” values are for FY at the end of the program (EOP), which differs between operations. FISPEG I typically uses FY2015/16 as the FY of its “P” values, while FISPEG II and II use FY2016/17
    * The indicators are expressed in a variety of units. Often percentages are used, however absolute units, such as numbers of audits or months taken to accomplish a task are also used.
    * Achievement is measured relative to the baseline value. In the case of Impact and Outcome indicators, the difference between the planned EOP value and the baseline value is divided by the difference between the actual EOP value and the baseline value. Thus, for example, if the baseline for a certain indicator were 10% and the planned value were 50% the expected increase (EI) would be 40 percentage points. If the actual EOP value for this indicator were 65% the actual increase (AI) would be 55 percentage points. The “% Achieved” for this indicator would then be 55/40 = 138%, i.e. the indicator exceeded its target by 38%.
    * In the case of Output indicators, baseline and target values are most commonly expressed as “0” (zero) and “1” (one); thus, achievement is usually either 0% or 100%. However, there are several instances of partial achievement, and the percentage assigned is something of a judgement call as will be discussed below.
    * In several cases data on actual EOP achievement are unavailable. Following PCR Guidelines these indicators are rated with zero achievement. (See PCR Guidelines…(OP-1242-5) ¶3.8)
    * In three cases the indicators as originally drafted were conceptually flawed. As noted in Table 1 below these have been amended to maintain the original intent of the indicator while redefining how each one is measured, thereby enabling a more accurate assessment of their performance.

    [↑](#footnote-ref-25)
26. This column of Table B refers to the distinct Outcomes (i.e. Results) and Outputs (i.e. Products) enumerated in Table 2. Each Outcome and Output is measured by one or more indictors. [↑](#footnote-ref-26)
27. See Annex III - J Baca-Campodonico *Jamaica Tax Reform Assessment,* Sept. 2017 p. 17 [↑](#footnote-ref-27)
28. FISPEG II Loan Proposal ¶1.8.b. See also Output II.2. GCT, Corp & Self-Employed Tax, CIT and PIT [↑](#footnote-ref-28)
29. See Output II.13, Employment Tax Credit and indicator II.13.2 Employment Tax Credit… applied [↑](#footnote-ref-29)
30. Annex III - J Baca *op cit*. p. 20 [↑](#footnote-ref-30)
31. Jamaica *Fiscal Consolidation Program - Project Completion Repor*t, August 2014, p. 12 [↑](#footnote-ref-31)
32. ibid [↑](#footnote-ref-32)
33. FISPEG III – RM output (“product”) 2.7, and also loan contract section 2.03.I.(a)(iii)(B) [↑](#footnote-ref-33)
34. Annex III – J. Baca op cit. p. 56 & graph on p. 57 [↑](#footnote-ref-34)
35. It should be noted that actual (A) value of 25.7% exceeded the original planned (P) value of 25.5% as approved by the Board of Directors. Thus, in this sense the target value of the indicator can be considered to have been achieved completely. This better-than-expected performance is further corroborated by a newspaper article regarding interim tax collections in FY2017/18: “Measured in absolute terms, as of June 20, 2017 net tax collections stood at $73.6 billion, exceeding TAJ’s year‑to‑date target of J$67.3 billion by 9.4% (J$6.3 billion)” (Source: Jamaica *Gleaner*, Aug. 8, 2017) [↑](#footnote-ref-35)
36. See Table 2, Output indicator II.8.2, means of verification discussion. [↑](#footnote-ref-36)
37. IMF *Request for A Stand-By Arrangement and Cancellation of The Current Extended Arrangement Under the EFF*, Oct. 25, 2016, Table 3, p. 28 (It should be noted that in the First Review under the SBA in April 2017, the projected value for FY 2017/18 was re-estimated at 10.3%) [↑](#footnote-ref-37)
38. MoF&PS *Fiscal Policy Paper FY2017/18,* p. 12 [↑](#footnote-ref-38)
39. Because the consolidated Results Matrix for the three FISPEG operations was elaborated ex-post, (i.e. after the completion of FISPEG III), and given that essentially no RM data were uploaded to the Convergence platform during program execution but rather have been uploaded as part of the preparation of this PCR (See discussion in section 3.2.b above.), the dates of change to the Results Matrix are coincident with the dates of this uploading process (i.e. October and November 2017). [↑](#footnote-ref-39)
40. Clarification of the definitions used for these indicators was considered necessary despite their being deactivated for lack of EOP data because when the indicator values from the original RMs of the respective three operations were consolidated it was abundantly apparent that the baseline and target values for this indicator as displayed in the FISPEG II RM were fundamentally inconsistent with the corresponding values as presented in the FISPEG I and FISPEG III RM. (See the values for this outcome as stated in the original RMs annexed to the respective loan proposals.) These disparate values can only be explained as two definitionally different indicators, as noted above. [↑](#footnote-ref-40)
41. See discussion and related footnote regarding Output Indicator III.4.1 in Table 2 below [↑](#footnote-ref-41)
42. Formatted to conform to Convergence protocol for registering indicators [↑](#footnote-ref-42)
43. Indicators are identified using the same wording as contained in the corresponding original RMs of the three FISPEG operations, followed by a cross reference (in parentheses) identifying where the indicator is stated in the original RM. [↑](#footnote-ref-43)
44. Where: P = Start-Up Plan; P (a) = Revised Annual Target; A = Actual. [↑](#footnote-ref-44)
45. Means of Verification (MOVs) listed under the Start-Up Plan (“P”) category refer to those MOVs specified in the corresponding Results Matrix (of the individual FISPEG operations). The MOVs listed under the Actual (“A”) category refer to the sources of the evidence presented to demonstrate achievement of the target values. [↑](#footnote-ref-45)
46. Despite the slightly different wording this indicator is measuring the same concept in the RMs for all three operations. [↑](#footnote-ref-46)
47. The following abbreviation are used: EI = expected improvement, AI = actual improvement, “pp” = percentage point. [↑](#footnote-ref-47)
48. By way of comparison the IMF (1st Review Under the SBA, Apr. 2017, Table 3, p. 23) reports the following estimates for public sector balance as a percent of GDP: -0.3 prel. (preliminary) (2015/16), -0.9 proj. (2016/17). Note that the IMF and GoJ figures agree for 2015/16 but the IMF projects a slightly higher deficit for 2016/17 [↑](#footnote-ref-48)
49. The GoJ FPP projects a 1.6% growth rate for FY2016/17. By way of comparison the IMF (1st Review Under the SBA, Apr. 2017 Table 1, p. 21) reports the following estimates of GDP growth: 1.1 prel. (2015/16), 1.7 proj (2016/17). [↑](#footnote-ref-49)
50. The figure shown includes the impact of the tax reform (equivalent to 1% of GDP) plus other revenue measures included in FY2016/17. [↑](#footnote-ref-50)
51. The IMF (1st Review Under the SBA, Apr. 2017 Table 1, p. 21) reports: 24.5% prelm (2015/16), 25.6% proj. (2016/17) [↑](#footnote-ref-51)
52. Baseline estimate (of 8.6%) drawn from FISPEG project team *Jamaica Tariff Reform Report [prepared in] 2013,* ¶5 [↑](#footnote-ref-52)
53. Planned EOP value drawn from FISPEG project team *Jamaica Tariff Reform Report 2013,* ¶16 “The tariff structure reforms will result in additional revenue estimated at J$ 980 million and the effective tariff rate (on the taxable imports) will increase from 8.6% to 8.9 percent.” [↑](#footnote-ref-53)
54. Actual EOP (2016) **effective** tariff rate (of 6.15%) drawn from J. Baca Excel spreadsheets based on data provided to PCR team by JCA [↑](#footnote-ref-54)
55. The value of JD$ 89,659 that was reported in the original FISPEG Results Matrix in fact refers to gross revenue. (It should also be noted that based on subsequent improvements in data quality, a more accurate estimate of gross revenues for FY2012/13 is J$96,398m as reported in JBaca compilation of MoF data. See “Tax Reform Assessment” Table 2, p. 44) –The GoJ FY2014/15 Fiscal Policy Paper contains the same estimate (see table 3D) -- However government purchases during the base year were zero rated, thus GCT revenues from these purchases were essentially zero. (FISPEG I Financial Evaluation based on the Policy Reform ¶4.9). Therefore, the baseline value should be interpreted as GCT revenues without the application of the tax on government revenues. The provision to charge GCT on government purchases at the standard rate was approved in Oct. 2014 in fulfilment of a FISPEG II loan condition (General Consumption Tax (Amendment) Act, 2014, Oct. 1, 2014). The expected increase in revenue from this change in the GCT law was JD$3,629.40 million (See FISPEG I Financial Evaluation based on the Policy Reform, table following ¶4.11) [↑](#footnote-ref-55)
56. Planned target level for this indicator (as amended) is derived as follows:

    Planned level as stated in original FISPEG I RM: J$ 93,289 m

    Baseline level as stated in original FISPEG I RM: 89,659 m

    Implicit expected increase as stated in original RM: 3,630 m [↑](#footnote-ref-56)
57. Independently the TAJ reported to the Project team that GCT revenue on Gvt purchase averaged JD$ 11,700m / year for FY 2015/16 & 2016/17. *El* withholding process *de*l GCT *de* government purchases *ha sido un proceso progresivo (inicialmente no todas las entidades estatales y empresas publicas lo hicieron). Por lo tanto, lo más probable es que sea un promedio de los ultimos 2 años fiscales o en todo caso el dato del último año fiscal pero no la suma acumulada de los ultimos 2 años* (JBC e-Mail 17-8-15) [↑](#footnote-ref-57)
58. The FISPEG I value used here for consistency, but it should be noted that a subsequent rigorous review of updated statistics yielded a value of 35,798 (per J.Baca compilation of MoF data) This latter estimated may be deemed to be more reliable. [↑](#footnote-ref-58)
59. MoF&PS as reproduced in *J. Baca-C Jamaica Tax Reform Assessment* Sept. 2017, Final Version Table 2, p. 44. [↑](#footnote-ref-59)
60. Large taxpayers are defined as those who earn an annual gross receipt larger than J$500 million that are not under the jurisdiction of the Medium Taxpayer Office (MTO). Medium Taxpayers are defined as those with annual gross receipt larger than J$30 million that are not under the jurisdiction of the Large Taxpayer Office (LTO). [↑](#footnote-ref-60)
61. The TAJ Commissioner General to Bank, in a letter dated July 20, 2016, states that “Mandatory e-filing continues to be enforced for all tax types…" However, this is not supported by the finding in the J. Baca study that while 100% of large taxpayers are filing electronically, for the universe of taxpayers as a whole, only 37% do so. [↑](#footnote-ref-61)
62. There are no separate EOP data available on filing rates for medium and large (i.e. excluding small and micro) taxpayers [↑](#footnote-ref-62)
63. Two TAJ letters imply 100% compliance: (i)- Letter dated 21 May 2015 from TAJ Commissioner General to Bank stating that mandatory e-filing of all taxes for large taxpayers including payroll tax was implemented in March 2014. (ii) - Letter dated July 20, 2016 from TAJ Commissioner General to Bank stating that “Mandatory e-filing continues to be enforced for all taxes…” This is confirmed in the J. Baca report which further clarifies whether the large taxpayers file electronically via the internet or on computers located at the LTO [↑](#footnote-ref-63)
64. Originally specified target was 3.3%for FY2016/17 [↑](#footnote-ref-64)
65. Note: CY 2015 is the most recent year for which data on this indicator are available (See MoF&PS Taxation Policy Division, *Tax Expenditure Estimates 2013-2015,* Feb. 2017) [↑](#footnote-ref-65)
66. The percentage achievement is measured against the expected (planned) level of this indicator in the year (FY2015/16) for which the latest actual value is available. [↑](#footnote-ref-66)
67. It should be noted that this *Assessment* reports a level of 3.49% for CY 2014 [↑](#footnote-ref-67)
68. Central government’s wage bill is the total amount paid by the government on all subjects related to central government public servants’ salaries and pensions (This is referred to as “Compensation of Employees” in the annual GoJ Fiscal Policy Papers and includes wages & salaries and employer’s contribution) [↑](#footnote-ref-68)
69. Note: The name of the indicator used in the FSPG II & III operations is more complete and accurate, therefore it is the name used in Convergence [↑](#footnote-ref-69)
70. Baseline value contained in FISPEG II & II results matrices is more reliable due to its having been reviewed and validated in subsequent years – See Fiscal Policy Paper 2014/15 table 3G [↑](#footnote-ref-70)
71. The GoJ FPP reports 10.0% for FY 2015/16. By way of comparison the IMF (*1st Review Under the SBA, Apr. 2017* Table 3: “Jamaica: Summary of Central Government Operations” p. 23) reports 10.2% prel. (2015/16). Note: The reported central government compensation of employees as % of GDP in 2016/17 was revised downward slightly to 10.0% in the GoJ Fiscal Policy Paper FY2018/19, 15th February 2018 (see FPP Table 3K) [↑](#footnote-ref-71)
72. As of FY2017/18 there are approximately 190 (self and non-self-financing) PBs of which the MoF&PS (Public Enterprises Division) actively monitors the performance of 58 self-financing PBs (reduced from 65 in FY 2015/16 to 64 in 2016/17 due to privatizations and transfer of some PBs to the Central Government accounts. (Source: MoF&PS Jamaica PBs: Estimates of Revenue and Expenditure for the Year(s) Ending March *2016, 2017, & 2018* p. 1) Note: This annual publication does NOT report on the number of PBs that present their statements on time – See following footnote. Furthermore “…care must be taken in concluding that PED [fully] monitors [all] 58 self-financing PBs as the footnotes in the various Estimates [of Revenue and Expenditure] indicate that summarised Corporate Plans for some PBs were not included.” (Clarification provided by the GoJ – see OEL #7, p.2) [↑](#footnote-ref-72)
73. A special report prepared by the MoF&PS / PED entitled “Submission of Annual Reports to Parent Ministries” and submitted to the FISPEG team in February 2017 documented that out of 68 SFPBs that were tallied for FY 2015/16, there were 45 SFPBs that submitted their annual reports within the deadline (as agreed with the IDB) of no more than 6 months after the end of the FY. (Note, the discrepancy between the 65 SFPBs reported by the PED for FY 2015/16 in its annual publication “Estimates of Revenue and Expenditure” vs. the 68 SFPBs reported in the aforementioned special report is due to the latter including entities such as FINSAC and Financial Institutions Services that were in the process of being wound up.) [↑](#footnote-ref-73)
74. Originally specified target in the FISPEG II and III Results Matrix was 88% for FY2016/17. However, the P value for FY2015/16 is used for the purpose of comparability to the actual values achieved. (See following footnote.) [↑](#footnote-ref-74)
75. The percentage achievement is measured against the expected (planned) level of this indicator in the year (FY2015/16), which is the latest year for which actual-value data were available as of the date of preparation of the PCR. [↑](#footnote-ref-75)
76. Data on on-time reporting are NOT available for FY 2016/17 due to PBs having differing FYs and the provision that allows for a six-month grace period for producing the annual report after the end of the FY for the respective PB. [↑](#footnote-ref-76)
77. No actual values available for because NIS has not updated actuarial analysis since 2012/13 [↑](#footnote-ref-77)
78. Value of “1” assigned because there is an automatic correction mechanism embedded in legislation that would result in corrective action being taken within this time period. (See next footnote.) [↑](#footnote-ref-78)
79. MoF&PS Fiscal Policy Paper 2017 “The enhanced fiscal rules provide for a National Account into which cumulative deviations from targeted fiscal balances, whether positive or negative, will be recorded. This particular element of the enhanced fiscal governance framework becomes effective in FY 2017/18. The *rules will also allow for an automatic correction should deviations get to a pre-defined threshold*. The legislation also includes provisions for suspension of the rules under specific circumstances, with authentication from the Auditor General and the approval of Parliament.” p. 12 (emphasis added) [↑](#footnote-ref-79)
80. Observation from FISPEG II Results Mtx: The indicator measures the primary expenditure as a percent of GDP as a *result of the implementation of fiscal rules – Component V*. This will be achieved by “The government… calibrating the macro-fiscal indicators to estimate the overall balance path to comply with the debt ceiling. It is also strengthening the institutional framework to: (i) improve the budgetary procedures; exclude the selected commercial PBs from the fiscal rule; (iii) bolster the capacity at the Office of the Auditor General; and (iv) design a sanctions regime for infringement of the rule. (FISPEG II Loan Proposal ¶1.32, footnote 23) [↑](#footnote-ref-80)
81. FISPEG I & II baseline values are 20.4% and 20.3% respectively. FISPEG III baseline value of 20.4% is used because it is most reliable. [↑](#footnote-ref-81)
82. In the column “Goals FY2016/17” of the FISPEG III results matrix this value is stated as 20.5%, i.e. 0.1% above the baseline value of 20.4%, which acknowledges that the original intended result of decreasing primary expenditure could not be met and that a new expected EOP value representing a moderate increase was appropriate. [↑](#footnote-ref-82)
83. Note: This agrees with IMF estimate for 2016/17 of 20.4% (Source: 2*nd Review Under the SBA, Oct. 2017* Table 3: “Jamaica: Summary of Central Government Operations” p. 22) [↑](#footnote-ref-83)
84. Primary expenditure as % of GDP is not listed separately in this table. It is computed as the sum of Employee compensation + Program expenditure + Capital expenditure, as follows:

    | Abstract from TABLEs 3K & 3J: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (MoF&PS FPP FY2017/18 p. 59) | | | | | | |
    | --- | --- | --- | --- | --- | --- | --- |
    |  | As a percentage of GDP | | | Millions of Jamaican Dollars (J$mn) | | |
    | Primary Expenditure components | 2014/15 | 2015/16 | 2016/17 | 2014/15 | 2015/16 | 2016/17 |
    | Compensation of Employees | 10.1 | 10.0 | 10.2 | 158,758.6 | 168,790.2 | 179,933.6 |
    | Programs | 7.2 | 7.9 | 8.2 | 112,696.6 | 133,502.4 | 143,467.9 |
    | Capital Expenditure | 1.5 | 1.9 | 2.5 | 23,019.0 | 32,747.3 | 44,801.6 |
    | Total Primary expenditure (current) | 18.8 | 19.8 | 20.9 | 294,474.2 | 335,039.9 | 368,203.1 |
    | CPI (Dec. 2006 = 100) (BoJ Econ Stats table VIII) |  |  |  | 223.1 | 229.6 | 237.8 |
    | Primary expenditure in constant 2006 J$ |  |  |  | 131,992.0 | 145,923.3 | 154,837.3 |

    [↑](#footnote-ref-84)
85. “FSPG I, II, & III” refer to the respective FISPEG operations. The term “product” followed by a number refers to the products (outputs) that are specified in the Results Matrix of the corresponding operation. The term “contract section” refers to the section of the respective Loan Contract [↑](#footnote-ref-85)
86. This proclamation supersedes and can be considered a satisfactory substitute for the specified “work plan” [↑](#footnote-ref-86)
87. No “indicator of std. deviation” was developed as such, but the MOV only calls for a “letter from the FS…” which arguably is satisfied by the evidence submitted, to wit: The following documents were submitted as providing evidence: (a) The Customs Tariff (Revision) (Amendment) Resolution, 2013, (b) The Stamp Duty (Amendment of Schedule) Order, 2013. (Note: the 5% represents most basic consumption goods. See evidence supplied (National Tariff Amendment No 3 Resolution 2013 (JA-L1038)) [↑](#footnote-ref-87)
88. The FS’s Nov. 8, 2016 letter includes the following attachment: Report on the Fiscal Incentives Regime. The letter makes reference to the Customs Tariff (Revision) (Amendment) Resolution, 2013 which had been provided previously. [↑](#footnote-ref-88)
89. The FS’s Nov. 8, 2016 letter makes reference to the Customs Tariff (Revision) (Amendment) Resolution, 2013 which had been provided previously. [↑](#footnote-ref-89)
90. This Act manifests the results of the work plan, thereby can be considered to be a satisfactory substitute for the specified “work plan [↑](#footnote-ref-90)
91. The Nov. 8, 2016 letter from the FS to the Bank refers to the Fiscal Incentives (Miscellaneous Provisions) Act of 2013 which originally stipulated this provision. [↑](#footnote-ref-91)
92. The FS’s Nov. 8 2016 letter includes the required TAJ letter as follows: Letter dated July 20, 2016 from the Commissioner General of the TAJ which refers (in Section C1 of the TAJ letter) to maintaining the provisions of the Charities Act and Fiscal Incentives Act, both approved in 2013. [↑](#footnote-ref-92)
93. Included at the end of the Act is a *Memorandum of Objects and Reasons* which states: “This Bill seeks to make permanent the minimum business tax that was initially imposed by Orders made under the *Provisional Collection of Tax Act. …*By the Orders not having been confirmed by resolution of the House of Representatives as statutorily required, this Bill also provides for the validation of the imposition and collection of the tax prior to the coming into operation of this Act” Peter D. Phillips M.P Minister of Finance and Planning [↑](#footnote-ref-93)
94. The FS’s Nov. 8, 2016 letter includes the following attachment: a copy of the Minimum Business Tax Act [↑](#footnote-ref-94)
95. Note: While the recommendations of the Bank-sponsored study were considered (per evidence submitted in compliance with Indicator II.5.1) and thereby demonstrating achievement of Indicator II.5.2, no further action on these recommendations was taken for the following reason: Rather than implementing the agreed recommendations of the Bank sponsored study, as stipulated in the policy matrix for FISPEG II, it was agreed for the third operation that a new Special Consumption Tax (SCT) for LNG would be implemented because “According to the Ministry of Finance, the recommendation to implement GCT would pose an administrative burden and would put the tax revenues at risk. SCT is collected from only three taxpayers and therefore according to the MOF, tax collection is a more effective approach.” (Comparative Policy Matrix - JA-L1055, p. 1). Proof of compliance with this revised FISPEG III loan condition is provided in the Official letter from Financial Secretary (FS) to the Bank dated Nov. 8, 2016 (part II.1.c.E) providing evidence of compliance with section 2.03.I.(a)(v) of the FISPEG III loan contract by way of transmitting: (i) Ministry paper 33/16 containing “Revenue Measures for FY 2016/17” dated 12th May 2016, and (ii) *Provisional Collection of Tax (General Consumption Tax) Order, 201.* See also Fiscal Policy Paper FY 2016/17 table 3A, p. 42 “Summary of Recommended Revenue Measures for FY 2015/16” [↑](#footnote-ref-95)
96. Section 2.03(b)(i) of the FISPEG I loan contract states: “The Borrower undertakes tax administration improvements to: (i) strengthen Tax Administration of Jamaica (TAJ) and Jamaica Customs Agency (JCA) enforcement capabilities by (A) Increasing the Large Taxpayer Office (LTO) professional staff from 90 to 120; (B) Strengthening powers to TAJ to mandate taxpayers e-filing; and (C) Issuing instructions for e-filing for all large taxpayers, all employers with 20 or more employees and GCT refund claims  [↑](#footnote-ref-96)
97. Section 2.03 (b)(ii) of FISPEG I loan contract states: “The Borrower undertakes comprehensive tax administration improvements to... (ii) Strengthen the revenue administration agencies through improvements to their IT systems by: (A) Cabinet approval for TAJ to issue a contract for the integrated IT system; and (B) Cabinet approves JCA issuing a contract to implement an integrated customs IT system.” [↑](#footnote-ref-97)
98. No JCA report is available as such regarding achievements under aegis of FISPEG I, but as ACCPAC is a major component of the JCA IT system, its implementation is implicit in the certification of compliance with section 2.03(b)(ii)(B) of the loan contract (see above) [↑](#footnote-ref-98)
99. Full ACCPAC (computer software package) implementation was certified as an achievement under the aegis of FISPEG II. Operational modules included: - Financial statements, - Payables, - Inventory, - Receivables, - Bank Services, - Bank Reconciliation, - Fixed Assets, - General Ledger, - Purchase Order [↑](#footnote-ref-99)
100. The letter is from the FS (MoF) rather than from the TAJ commissioner, and supporting evidence includes a press releases dated Feb. 9, 2015, Dec. 7, 2015 and Jun. 23, 2016 [↑](#footnote-ref-100)
101. Included with the FS letter of Nov. 8, 2016 is a JCA letter dated Sept. 20, 2016 attaching press releases. [↑](#footnote-ref-101)
102. The proposed target values for this output include one report for FY 2014/15 and one for FY 2015/16. The report presented documenting the achievements is dated May 2015, thereby falling in the FY 2015/16 and superseding, though falling chronologically close to, the report that would have been produced regarding the LTO staffing levels in FY 2014/15. [↑](#footnote-ref-102)
103. The Nov. 8, 2016 letter from the FS makes reference to a letter from the TAJ Commissioner General and includes copy of Press release dated March 17, 2016. Nonetheless the Revenue Administration (Amendment) Act of 2013 maintains the power of the TAJ to mandate taxpayers e-filing. [↑](#footnote-ref-103)
104. Although the FS letter is dated Nov 2016, the Act authorizing this provision became effective in 2013. (See next footnote). Thus, the targeted planned startup date for the indicator of FY 2014/15 was met. [↑](#footnote-ref-104)
105. The Nov. 8, 2016 letter from the FS makes reference to a letter from the TAJ Commissioner General and includes copies of - *Revenue Administration (Amendment) Act, 2013 -* Press release, dated March 14, 2016 [↑](#footnote-ref-105)
106. Although the FS letter is dated Nov 2016, the Act authorizing this provision became effective in 2013. (See next footnote.) Thus, the targeted planned startup date for the indicator of FY 2014/15 was met. [↑](#footnote-ref-106)
107. The Nov. 8, 2016 letter from the FS makes reference to the *Fiscal Incentives (Miscellaneous Provisions) Act, 2013* [↑](#footnote-ref-107)
108. The Nov. 8, 2016 letter from the FS makes reference to the General Consumption Tax (Amendment) Regulations, 2015, dated August 26, 2015 [↑](#footnote-ref-108)
109. Cessation of granting of new categories of ministerial waivers was originally stipulated in FISPEG I loan contract section 2.03.I.(a)(iii)(B). The GoJ was judged to have adequately complied with these conditions by February 2014. [Memorandum from Gerardo Reyes Tagle, PTL, to Theresa Turner-Jones, IDB Representative in Jamaica, dated February 10th, 2014 (ref. IFD/FMM/41/2014)] This provision was reiterated in FISPEG II loan contract section 2.03.I.(a)(iii)(B) with which the GoJ was certified as being in compliance on Aug. 10, 2015. [Memorandum from Gerardo Reyes Tagle, PTL, to Theresa Turner-Jones of August 10th, 2015 (ref. IFD/FMM/119/2015)] Thus the targeted planned startup date of FY 2014/15 and continued enforcement of the indicator was met. [↑](#footnote-ref-109)
110. The Nov. 8, 2016 letter from the FS makes reference to a hyperlink to the webpage of the Ministry of Finance and the Public Service’s website. [www.mof.gov.jm/revenues/tax-waivers.html](http://www.mof.gov.jm/revenues/tax-waivers.html) [↑](#footnote-ref-110)
111. No MOF Tax Policy Division work group report is available as such, but the preparation (and implementation) of its plan is implicit in the FS’s May 27, 2015 letter. [↑](#footnote-ref-111)
112. Although the FS letter is dated Nov 2016, the Act authorizing this provision became effective in 2013. Thus, the targeted planned startup date for the indicator of FY 2014/15 was met. [↑](#footnote-ref-112)
113. The Nov. 8, 2016 letter from the FS makes reference to the *Fiscal incentives (Miscellaneous Provisions) Act, 2013* [↑](#footnote-ref-113)
114. The agreement extends from 2012 through March 2016. Thus, the agreement remains in force for FY2015/16. The agreement is entitled “Heads of Agreement for the Contract Period 2012-2015 concluded between the Government of Jamaica on the one hand and the Jamaica Confederation of Trade Unions and other Unions and Staff Associations Representing Public Sector Workers on the other hand” signed on Wednesday 6th day of March 2013 at the Office of the Prime Minister, Jamaica House. [↑](#footnote-ref-114)
115. The Nov. 8, 2016 letter from the FS makes reference to the Copy of Central Government Summary Accounts [↑](#footnote-ref-115)
116. No report from the PED is available as such, but the development of a work plan is implicit in the updated Master Rationalization Plan, Page 1 (Overview 1.1) of which reads: “The Action for the Rationalization of PBs was approved by Cabinet via Decision #19/09 of May 4, 2009. The Plan sought to: (a) restructure/merge some PBs to eliminate waste and duplication of functions, (b) wind-up inactive PBs; and (c) privatize PBs that are of a commercial nature. [↑](#footnote-ref-116)
117. Approval of an update of the 2010 MRP was stipulated in FISPEG I loan contract section 2.03.II.(d). The GoJ was judged to have adequately complied with these conditions by February 2014. [Memorandum from PTL, Gerardo Reyes Tagle, to Representative, Theresa Turner-Jones, dated February 10th, 2014 (ref. IFD/FMM/41/2014)] Implementation of interim benchmarks of the MRP was stipulated in the FISPEG II loan contract section 2.03.II.(b) with which the GoJ was certified as being in compliance on Aug. 10, 2015 [Memorandum from Gerardo Reyes Tagle, PTL to Theresa Turner-Jones of August 10th 2015 (ref. IFD/FMM/119/2015)] Thus, the targeted planned startup date of FY 2014/15 and continued enforcement of the indicator has been met. [↑](#footnote-ref-117)
118. The Nov. 8, 2016 letter from the FS makes reference to a Status Report showing progress made in divestments of PBs during FY 2015/16. [↑](#footnote-ref-118)
119. No report from the PED is available as such, but the development of a compliance system is implicit in the model letter (from the Director, Legal Affairs for the FS to the Attorney General, dated 2014, Jan. 6) which is attached to the list of SF-PBs. The model letter reads in part “The Ministry wishes your assistance in commencing enforcement action, under section 25 of the PBMA Act, against a number of PBs for non-compliance with the requirements of the PBMA Act in relation to the preparation and submission of Annual Reports.” [↑](#footnote-ref-119)
120. This report covers self-financing PB. [↑](#footnote-ref-120)
121. Reporting on tardy submission of SFPBs’ annual reports was stipulated in FISPEG I loan contract section 2.03.II.(e). The GoJ was judged to have adequately complied with these conditions by February 2014. [Memorandum from Gerardo Reyes Tagle, PTL, to Theresa Turner-Jones dated February 10th, 2014 (ref. IFD/FMM/41/2014)]

     Enforcement of the timely presentation of PBs’ annual was stipulated in the FISPEG II loan contract section 2.03.II.(c) with which the GoJ was certified as being in compliance on Aug. 10, 2015. [Memorandum from PTL, Gerardo Reyes Tagle to Representative, Theresa Turner-Jones, of August 10th, 2015 (ref. IFD/FMM/119/2015)]

     Thus, the targeted planned startup date of FY 2014/15 and continued enforcement of the indicator has been met. [↑](#footnote-ref-121)
122. The Nov. 8, 2016 letter from the FS makes reference to a “Report showing compliance of PBs for FY2014/15 compared with FY 2013/14.” [↑](#footnote-ref-122)
123. The PED statement reads in part: “Jamaica, under its current transformation program is seeking to enhance the efficiency and accountability of its own PBs; this is a continual exercise. Accordingly, the PED is liaising with the Office of the Cabinet to formalize a Risk Based MEF. It is expected that this will inform us of the requirements for any development of/enhancement to an IT system. Where select aspects of the Korean [knowledge-sharing] model/framework may be incorporated in the future, these will be considered.” Statement contained in email of Aug. 21, 2017 from an MoF&PS /PED official, to the PCR team. [↑](#footnote-ref-123)
124. The evidence called for in this MOV stipulates only that the GoJ provide comments on the [Bank sponsored] report while the wording of the indicator implies that the GoJ is to carry out the economic and financial analysis on its own and then present this analysis to the Bank [↑](#footnote-ref-124)
125. The MOF comments were prepared (dated May 26, 2015) and made available to the Bank [↑](#footnote-ref-125)
126. This indicator is awarded a 100% achievement score given the wording of the indicator and MOV. (See following footnotes.) [↑](#footnote-ref-126)
127. FISPEG III loan contract calls for implementation of efficiency measures consistent with relevant conclusions of the study. By virtue of compliance with this condition, the borrower has implicitly met the MOV for the indicator as originally planned. [↑](#footnote-ref-127)
128. Achievement of the indicator in terms of the wording of the MOV as originally stated is considered to be 100%. However, to fully appreciate the “back story” of this indicator it is useful take into account the evolution of the related conditionality in the policy matrices for FISPEG II and III. Originally the wording of the condition regarding the Bank-sponsored study for the third operation, as stated in the policy matrix included with FISPEG II loan proposal, was as follows:

     - III.4.c: Implement the agreed recommendations of the Bank sponsored study to the extent possible within the context of maintaining consistency with the FRF.

     By mutual agreement this wording was adjusted in the policy matrix (and loan contract) for FISPEG III as follows:

     - III.4.c: Implement specific efficiency measures at the JUTC and NWC consistent with the conclusions of the Bank sponsored study.

     The explanation for the change in wording was as follows:

     - The Bank and MoFPS have agreed on efficiency measures to be undertaken at JUTC and NWC that are consistent with the conclusions of the study, namely;

     i - JUTC –reduce bus loading time, implement operating cost-savings measures, and improve maintenance of buses in order to extend their service life; and

     ii - NWC – improve labor productivity, decrease bill payment delinquencies, and reduce non-revenue water [NRW].

     This change in wording reflects an underlying disagreement of the authorities with the conclusions of the study per se. However, the authorities did acknowledge the broad principles behind the conclusions of the study as regards efficiency improvement, better management, etc. and the Bank therefore agreed to modify the wording of the condition for the third operation. However, it should be observed that this change in focus of the conditionality strictly speaking does NOT affect the degree of achievement of Indicator III.5.2 as the latter does not address the issue of implementation of the conclusions/recommendations of the study but only that they be considered by the authorities, which they were, albeit only broadly. [↑](#footnote-ref-128)
129. The letter reads “The Cabinet Office is in receipt of the following documents: Concept Paper on the Reform of the National Insurance Scheme (NIS)”. The Concept Paper – Page 8 reads “The aim of these studies was to independently assess the strengths and weaknesses of the NIS as the first level of pension coverage in Jamaica and to identify the administrative and other challenges being faced and the possible solutions. The studies were all very comprehensive and were strategically requested in order to specifically assess those challenges identified by the Ministry as posing the greatest threats to the NIS.” [↑](#footnote-ref-129)
130. The FS’s Nov. 8 letter notes that the Position Paper includes recommendations for implementation regarding: the contribution rate, pension benefits and increasing coverage. The Nov 8 letter makes reference to (i) a letter dated Oct. 31, 2016 from the MLSS advising that the Position Paper was approved by Cabinet on Oct. 10, 2016, and (ii) a letter dated Oct. 13, 2016 from Cabinet Offices confirming Cabinet approval of the Position Paper. [↑](#footnote-ref-130)
131. Paragraph 3.3 reads as follows: “The MOFPS is coordinating all the reforms under the FISPEG, except for the pension reform, which is executed by the NIS. The MOFPS coordinates with the NIS and chairs the stakeholder-working group, which originally included the MLSS, Planning Institute of Jamaica (PIOJ), the Cabinet Office, the Jamaica government Pensioners’ Association, the Jamaica Confederation of Trade Unions, and the Jamaica Employers Federation, in addition to members from civil society and academia. Following a Cabinet recommendation, the Working Group (WG) was restructured to include only the MOFPS, MLSS and the PIOJ. The WG has met on a regular basis to discuss the progress and next steps of the NIS reform.”

     The “Comparative Policy Matrix” (Optional Link 18 to the Loan Proposal) also makes extensive reference to the working groups in the Explanation for Changes in Component IV between the Triggers for the Third Operation as originally stated in the Loan Proposal for the Second Operation (JA-L1051) vs. the Third Operation (JA-L1055) Current Conditions. [↑](#footnote-ref-131)
132. Specifically, the Cabinet Secretary’s letter advised of the approval of Cabinet for issue of drafting instructions for the amendment of the National Insurance Act to allow for an actuarial review of the National Insurance Scheme to be conducted every three (3) years instead of five (5) years. [↑](#footnote-ref-132)
133. The next actuarial analysis is just getting started (bids rec’d in May 2017). It is not expected to be completed until April 2018 [↑](#footnote-ref-133)
134. The Nov. 8, 2016 letter from the FS makes reference to: (a) Letter dated Oct. 31, 2016 from the MLSS informing of the tabling of the Bill in the House of Representatives on July 19, 2016, (b) Letter dated July 26, 2016 from the Clerk of the Houses of Parliament attaching an Extract from the Minutes of the Sitting of the House of Representatives on July 19, 2016 [↑](#footnote-ref-134)
135. Wording in brackets added to better characterize the nature of this indicator (IV.3.1) [↑](#footnote-ref-135)
136. The overview to the assessment report (p. i), entitled “Information Technology Diagnosis of the Jamaica National Insurance Scheme (NIS)” page reads “The objective of this individual consultancy is to diagnose the state of the IT systems of the NIS and to propose possible improvements.” [↑](#footnote-ref-136)
137. The PS/MLSS letter also attached a copy of the advertisement to be placed inviting “Expression of Interest” from interested IT firms. [↑](#footnote-ref-137)
138. The Jan. 6, 2014 letter reads “At its meeting of 16 December 2013, and by Cabinet Decision No. 42/13, Cabinet approved the following: The GoJ’s Conceptual Framework for Enhanced Rules-Based Fiscal Governance in Jamaica that was submitted to the International Monetary Fund at the end of August 2013 in compliance with the Memorandum of Economic and Financial Policies.” [↑](#footnote-ref-138)
139. The evidence presented supersedes and subsumes indicator V.1.2 as worded, however it is consistent with MOV as stated. Attached to the May 27 letter are copies of the two acts and a notation that certain elements of the amendments listed in section 8 of the FAA were not to take effect until April 1, 2017 [↑](#footnote-ref-139)
140. The Nov. 8, 2016 letter from the FS makes reference to: (a) Financial Administration and Audit (Amendment) Act, 2014, (b) Financial Administration and Audit (Fiscal Responsibility Framework) (Amendment) Regulations, 2015, (c) Fiscal Policy Paper FY 2016/17 dated Apr. 14, 2016; and (d) Interim Fiscal Policy Paper FY 2016/17 dated Sept. 28, 2016. [↑](#footnote-ref-140)
141. In section 3.3 below on Efficiency, the separate impact on tax revenues of the FISPEG operation alone is also estimated. [↑](#footnote-ref-141)
142. See Annex III - J Baca *Jamaica Tax Reform Assessment*, Appendix I “Jamaica DCGE Model” p. 98 ff. for a discussion of how the model was used to derive these results. [↑](#footnote-ref-142)
143. See Annex V for the complete references to the literature cited. [↑](#footnote-ref-143)
144. OECD *Guidelines on Corporate Governance of State-Owned Enterprises* 2015 Edition.p. 18 [↑](#footnote-ref-144)
145. ibid, p. 19 [↑](#footnote-ref-145)
146. ibid, p. 41 [↑](#footnote-ref-146)
147. ibid, p. 66 [↑](#footnote-ref-147)
148. Asia Development Bank *Finding Balance 2016:  Benchmarking the Performance of State-Owned Enterprises in Island Countries*p. 28 [↑](#footnote-ref-148)
149. See Annex IV, Table IV-3, line C and associated discussion. See also Table IV-6, which summarizes the benefit and cost PVs. [↑](#footnote-ref-149)
150. While the implementation (administrative and logistical) costs of the FCP operation were not calculated they may be conservatively set at a similar (if not lower) level as those estimated for FISPEG. Given that the IMF interventions in the tax reform area closely paralleled those of the IDB, those marginal costs would not be great. Thus, a very rough estimate for the costs associated with the combined set of FCP and FISPEG interventions might on the order of US$250 – 300 million, i.e. at most one fifth of the estimated benefits. [↑](#footnote-ref-150)
151. See Annex IV, Table IV-6, line 5 compared to line 1. [↑](#footnote-ref-151)
152. As freely available foreign exchange not allocated to project implementation, these loan amounts are unrelated to the actual cost of carrying out the reforms of the FISPEG PBP series. (See discussion in Annex IV, particularly footnote 4) [↑](#footnote-ref-152)
153. See summary of UIS themes presented in *Project Completion Report: Principles and Guidelines* (Op-1242-5) November 2016 ¶4.1, p. 14 [↑](#footnote-ref-153)
154. Several of these business-environment oriented tax reform measures were originally supported by the Jamaica Competitiveness Enhancement Program (JCEP) series of three PBLs (JA-L1001, L010, and L1014) carried out between April 2008 and February 2014. [↑](#footnote-ref-154)
155. See Baca *op cit*. p. 28 and charts on p. 59, [↑](#footnote-ref-155)
156. See Monitoring and Evaluation Plan as annexed to the FISPEG I Loan Proposal [↑](#footnote-ref-156)
157. *ibid* ¶3.2 [↑](#footnote-ref-157)