| **Problems/Causes/Solution/Results Matrix**  **Fiscal Structural Program for Economic Growth I**  **(JA-L1038)** | | | | |
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| **Problems** | **Causes** | **Solutions** | **Results**  **Baseline 2012-Goal 2015** | **Policies** | |
| **Component I. Support macroeconomic stability** | | | | |
| 1. Economic growth has been persistently low; fiscal deficits have been high; public debt levels have become unsustainable; and current and financial accounts have been chronically imbalanced   (Public sector deficit widened from 7.4 percent of GDP in FY2008/09 to 10.9 percent of GDP in FY2009/10) | 1. Poor tax revenue performance (built upon an inadequate tax base and low tax compliance).  2. Expenditure pressures in an underperforming economy have led to large public sector borrowing at increasingly large costs. | Fiscal measurements package implemented | Decrease public sector deficit to:  Goal: 96% percent of GDP in FY2020  Base Line: to 140% percent of GDP in FY2011/12 | I.1.a: The Government of Jamaica (GoJ), through the Ministry of Finance (MoF) complies with the principal points set out in the Policy Letter and maintains a macroeconomic framework consistent with the Medium-Term Economic Program. | |
| **Component II. Strengthen tax revenues.** | | | | |
| 1. Current tax policy distorts market incentives, engenders inefficiencies in the tax collection systems and is inequitable, and it hinders growth and competitiveness. | 1. Import tariff are high (in some cases reaching 100%). In addition, there is a wide dispersion. Inputs and intermediate goods are subject to 0% tariff. | Work plan for the reduction of the highest import tariffs and increase of 0% tariff to reduce dispersion implemented. | Reduce capping tariffs on imports  Goal:   1. Capping tariffs on imports to 20%.   Base Line:   1. Import tariff at agriculture 100%., dairy products 75%, and miscellaneous goods at 50%. | II.1.a: The GoJ, through the MoF enacts the Fiscal Incentives and the Charities Bills that are the two main pillars of the comprehensive tax reform. The Bills that will be enacted as part of the first operation includes measures to:  A. Simplify and reduce import tariff dispersion (consistent with CARICOM and other inter-national trade agreements) by:   1. Capping tariffs on non-agricultural imports to a default rate of 20% with exceptional cases at 40%. For agricultural imports, tariff ≤ 40% will be reduced generally to 20%. Some Common External Tariff (CET) rates >50% will remain. 2. Raising the 0% tariff rate on selected intermediate and final goods to 5%.   Contracting consultancy for the preparation of a study to reduce the list of intermediate and final goods with 0% import tariff. (not part of the Bills but a condition for the first operation) | |
| 1. General Consumption Tax (GCT) for government purchases is 0% rate ($J 9 billion) 2. There is no minimum Business tax for corporate and self-employed. 3. Corporate and Personal Income Tax (CIT / PIT) and does not provide a cap on losses | Work Plan for the CGT, corporate and self-employed tax , CIT and PIT implemented | 1. Increment GCT for government purchases   Goal: 16.5%  Base Line: 0%  Goal: minimum of $J60.000  Goal: 50% | B. Increase tax revenues by:  1) Establishing a Minimum Business (i.e. corporate and self-employed) Tax. (MBT)    2) Establishing a cap of 50% of chargeable income (CIT and PIT) on any claim for deduction of tax losses forwarded in any year of assessment | |
| 1. There is no single piece of legislation providing governance for charitable organizations, and their tax treatment is fragmented. 2. Ministerial discretionary waivers are high (J$3.0 Billions) | Legal framework and regulations drafted and approved for charitable organizations and for more strictly managing the number and amount of tax incentives and waivers, including the virtual elimination of new ministerial discretionary waivers | Goal: 0  Base Line: J$3.0 B | C. Curtail tax expenditures by:  1) Effecting the new Charities Act, the Fiscal Incentive Act (FIA) and legislation effecting consequential amendments to the revenue laws.  2) Cessation of granting of new categories of ministerial discretionary waivers  3) Establishing an automated system to manage the incentives and waivers granted. | |
| 1. Corporate Income Tax is high for large unregulated companies (J$1.2 bn). 2. There is no mechanism to provide an employment tax credit for unregulated companies 3. The capital allowance regime is not consistent with accounting practices (credits can be provided – ex buildings - for a period 100 years) | Work plan for implementation of: the CIT creation of a mechanism for labor incentive and capital, and tax incentives allowed under the Omnibus Incentives Act for “pioneer/’mega’ projects | Reduce CIT for unregulated companies  Goal: 25%  Base Line: 30%  Goal: 30% CIT (J$0.02 B)  Base Line: 0  Goal: 25 years  Base Line: buildings 100 years. | D. Reduce economic distortions and promote economic growth by:  1) Reducing CIT rate (from 30% to 25% for unregulated companies, as defined in (as defined in the Fiscal Incentives (Miscellaneous Provisions) Act)  2) Allowing for a tax credit under a labour incentive and capital allowance programs  3) Providing allowances for capital expenditure programs.  4) Limiting tax incentives allowed under the FIA for “pioneer/’mega’ projects” to an over-all cap of 0.25 percent of GDP. | |
| 1. Taxes on petroleum products do not provide credit for the productive sector (J$24 billion collected on oil products) | Committee for the rationalization of Taxes on petroleum products created | No result | E. Contract the consultancy to carry out study of rationalizing taxes on petroleum | |
| 1. The efficiency and effectiveness of the tax and customs administrations are limited | 1. The Large Taxpayers Office (LTO) is under staffed (Number LT heads– 596 – total 1042 X 76 experts) (they will change the turnover threshold from J$500 mil to greater than J$1.0 billion) 2. The Tax Administration of Jamaica (TAJ) and the Jamaica Customs Administration (JCA) offices do not have the mandate to collect outstanding arrears (including powers to seize and sell taxpayers’ property, harmonize penalties and fines, and impose mandatory income tax filing for every business) 3. The fees charged by commercial banks for processing tax and customs revenue receipts are high (Debt card- 1.75%-1.80%, Credit card - same, e-payment - same, Customs – 0.75 (just 1 bank) -1.80 – they already negotiated) 4. LTO taxpayers and all payroll taxpayers are not obeyed for e-filling their taxes, because of a lack of regulation. 5. Tax and custom duty e-Payment systems (including home banking and RTGS options) is not fully implemented (Interface with the Banks is slow, hardware and telecommunication capacity is inadequate) (IBM Webform – Informix database) | Strategy for the strengthening of the TAJ and JCA implemented | Decrease Number of taxpayers classified as “Large Taxpayers” (increase threshold turnover from J$500 million to J$ 1 Billion)  Goal: 600  Baseline:1042  Increase LTO Staff  Goal: 206 professionals (22 excise)  Baseline: 121 professionals (21 excise)  Increase Number of single and all taxes comprehensive audits in LT corporate taxpayers:  Goal: all taxes– 25, single tax - 60.  Baseline: all tax – 8, single tax 40.  Increase Number of single and all taxes comprehensive audits in Medium-size (MT) corporate taxpayers (2000):  Goal: 200 (10%)  Base Line: (5%)  Increase number of LTO taxpayer using e-filing and e-payments of their taxes  Goal: 596  Baseline: 226 (38%) 40% of them use direct Bank transaction, the rest credit cards.  Increase total number of e-service done through e-payment  Goal: 20%  Baseline: 6%  Corporates – 30.000  Individuals- 150.000  Reduce rate paid to the commercial Banks to process payments  Goal: 1.10  Baseline: 1.80  Type of payments:  Online:  Credit card:??%  Direct transfer: 40%  In the Office:  Credit Card  Debt Card  Check  Cash | II.2.a The GoJ, through the MOF, undertakes comprehensive tax administration improvements including measures to:  A. Strengthen Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) enforcement capabilities by:  1) Increasing Large Taxpayer Office (LTO) professional staff from 90 to 121 professional staff.  2) Strengthening powers to mandate taxpayers e-filling  3) ~~Reducing charges for processing tax and customs revenue receipts by reaching agreement with commercial banks on their fees. [Needs to be discussed at a higher level.]~~  4) Issuing instrutions for e-filing for all large taxpayers; all employers with 20 or more employees; and GCT refund claims (to be implemented in March 2014).  5) Assuring that the tax and custom duty e-Payment systems (including home banking and RTGS options) are established by TAJ and JCA issuing he corresponding regulations. | |
| 1. The TAJ and JCA current IT Tax processing systems are based on an obsolete software/hardware platform, that does not interface with other applications, and does not comply with minimum international standards | TAJ IT system implemented  JCA IT system implemented | No results  14 months after signed the contract the main taxes. | B. Increase the effectiveness of the revenue administration agencies through improvements to their Information Technology (IT) systems by:  1) TAJ issuing a vendor contract for an integrated IT system.  2) JCA initiating detailed design of an integrated customs IT system and publishing the corresponding RFP | |
| 1. The JCA accounting and financial systems are outdated and do not fulfill the minimum international standards | JCA accounting and financial (ACCPAC) system implemented |  | C. Develop contract for improving JCA accounting and financial systems utilizing ACCPAC system (in anticipation of full implementation by March 2014.) | |
| **Component III. Quality of expenditure.** | | | | |
| 1. Growth in central government recurrent expenditures has crowded out capital expenditures, which has impacted negatively on economic growth | 1. Central government personnel expenditure is high (11.0% of GDP -2012-13) as the wage bill has increased and the economy has stagnated (Growth rates in 2008/09 -2012/13 were: -1.7, -3.5, 0.6, 0.9, -0.7 percent respectively) | Agreement with the government workers’ union that central government salary scales will remain unchanged in nominal terms over a 3 years period. | Lower the annual wage bill as percent of GDP  Target: 9.0% of GDP  Baseline: 11% | III.1.a The GoJ, through the MoF, implements a policy of no nominal central government salary increases to meet an annual wage bill target of no more than 10.6 percent of GDP for FY2013/14. | |
| ***Darlene is proposing the condition specified in the right hand column. It sounds good but we need to get background information on this particular merger and how it fits into the broader public sector reform initiative.*** |  |  | III.2.a. Public sector reform to enhance efficiency through merger of the Corporate Management Division of Cabinet Office with the Public Service Establishment Division of the Ministry of Finance and Planning to create the Strategic Human Resources Management Division. | |
| 1. Jamaica’s Public Bodies are often inefficient; some have outlived their mandate; and their financial accounts are frequently opaque, inaccurate and tardy. | 1. Technological advances and changing market conditions have rendered some Public Bodies obsolete and/or redundant. (At present there are 40 inactive public bodies.) | Work plan for the rationalization of their roles, functions and existence | Eliminate the inactive bodies.  Goal: 0  Base Line: 40. | III.3.a The GoJ, through the MoF, approves an action plan to rationalize the public bodies that includes measures to:  A. Divest commercial entities.  B. Merge entities when feasible to bolster efficiencies.  C. Wind-up inactive entities (including preliminary list of entities in this category) | |
| 1. Historically Public Body corporate incentives have been weak to produce transparent, accurate and timely financial reports, and “shareholder” fiduciary oversight has been limited. (50% of annual reports are overdue by up to 1 year.) | Enforce legal measures to assure compliance of the public bodies with reporting requirements. | Goal: 100% of the 80 self-financing public bodies presenting their financial statements on time  Base line: 40  (30) 100% of the partially self-financing public bodies presenting the FS on time  Base line: 15 | III.4.a The GoJ, through the MoF, enforces measures to:  Strengthen the accountability and transparency of public bodies by:  Reporting for sanction to the Attorney General’s Office those self-financing PBs that have not complied with the six-month requirement for submission of annual reports (First operation)  III.4.c The GoJ, through the MoF, continues to enforce measures to:  Strengthen the accountability and transparency of public bodies by:  Presenting annual reports (including audited statements) of self-financing and 65% of the partially-funded public bodies to Portfolio Ministries within four months of the end of the fiscal year to which the reports pertain (Third operation) | |
| 1. The Public bodies are not all under a unified financial monitoring program (Of the approximately 200 public bodies, 80 are monitored) | The Public Enterprises Division (PED) of the MoF is adequately structured and staffed to provide prudential financial oversight of partially funded Public Bodies.  Database system implemented to allow the public bodies report in a standardized format | Increase the number of public bodies’ monitored by PED.  Goal: 200  Base Line: 80 | III.5.a The MOF continues implementation of the 2010 Functional Reorganization Plan for the PED by way of approving the new structure of the Division, thereby strengthening the government’s financial oversight capacity of all public bodies. (First operation)  III.5.c The second phase of the PED reorganization and strengthening program is completed, including (i) continued extension of the budget call to the Partially Funded Public Bodies, (ii) initiation of data base system operations. (Third operation) | |
| 1. Certain Public Bodies (NWC, JUTC, NHT – *(others?)*) incur chronic deficits resulting in an unsustainable cumulative contingent liability for the central government. | Define and implement measures to assure the financial sustainability of these Public Bodies | Financial sustainability of major public bodies  Goal 3  Baseline 0 | III.6.a Study Initiated [Precise criteria TBD]  TORs agreed for study of underlying reasons for chronic deficits at NWC, JUTC, NHT (others?)  Ojo: *wording proposed by HH – not discussed or agreed with MoF authorities*  “Develop TOR for a study to examine the reasons for accumulated deficit of the National Water Commission”) – *wording proposed by PED and tweked by MOF/DFS (Darlene)* | |
| 1. The efficiency and effectiveness of social expenditures, particularly in the education and health areas, is deficient. | 1. The teacher/pupil ratio across the schools is not standardized (some schools have a ratio of 1/50, while others have 1/10), and the oversight mechanisms for hiring teachers are not efficient. | Regulation to provide the Ministry of Education with the power to relocate teachers. | Standardize teacher/pupil ratio across all school;  Target: 1/xx  Baseline: 1/10 - 1/50 | III.7.a The GoJ approves and implements the following measures to:  A. Enhance efficiency and control over education expenditures through:   1. Rebalancing the teacher/pupil ratio in schools through structured attrition including i) a freeze on the hiring of new teachers in schools that are overstaffed; and ii) implementing a process of voluntary relocation of teaching staff over the medium term 2. Directing an increase in education tax directed to student loan bureau funding to facilitate increased access to tertiary level training | |
| 1. The National Health Insurance has two entities performing similar services (National Health Fund (NHF) and XXXXXX). Patients with private sector insurance use public hospitals without reimbursing them from their private insurance. 2. NHF does not cover all non-communicable diseases (NCDs). 3. Pharmaceutical products are unevenly distributed across regions | Strategy for the elimination of the distortion in the health care system implemented | Eliminate the number of duplicated National Health Insurance entities  Goal:01  Baseline: 2 entities | B. Enhance efficiency quality and expenditure control of national health insurance system by:  1) Reducing program duplication  2) Expanding benefit coverage of the National Health Fund through review of the list of non-communicable diseases (NCDs) covered and drugs offered  3) Improving procurement and distribution processes for pharmaceutical products. | |
| **Component IV. Improve Fiscal Sustainability of the National Insurance Scheme.** | | | | |
| 1. The National Insurance Scheme (NIS) is fiscally unsustainable | 1. Since 2006/2007, annual expenditure on benefits has exceeded the contributions paid into the Fund. 2. The current NIS actuarial deficit is JMD$77 billion, equivalent to 6% GDP. The current contribution rate cannot support the current level of pension. 3. In the current conditions, the National Insurance Fund (NIF) will be in deficit from 2036 and will be fully exhausted by 2045. 4. Only 20% of the working-age population is covered by the NIS and only 27% of the elderly are receiving NIS pension benefits. | A reform to the NIS that addresses the contribution rate, the benefits and the coverage is proposed in order to improve its fiscal sustainability. | Decrease in the actuarial deficit of the NIF (%GDP).  Goal:4%  Baseline:6% | IV.1.a: The GoJ, through the Ministry of Labour and Social Security (MLSS), submits to Cabinet a Concept Paper for reform of the National Insurance Scheme that outlines the options and their impact for:  1) Adjusting the contribution rate;  2) Adjusting the benefits; and  3) Increasing coverage. | |
| Since 2005 an actuarial analysis of the National Insurance Scheme (NIS) has not been performed. Actuarial analyses of the NIS are not performed regularly enough to monitor the performance and the fiscal sustainability of the scheme, and to ensure adequate adjustments.. | Updated actuarial Analysis of the NIS that is displayed for public consultation and updated regularly | Public downloads of the actuarial analysis of the NIS from the site of the Ministry of Labour and Social Security (MLSS) (times per month):  Goal: 400 downloads/month  Baseline: 0  What is the current risk of the system?????? (high, medium, low) | IV.2.a: The GoJ, through the MLSS, submits to Cabinet an actuarial analysis of the National Insurance Fund (NIF). | |
| The NIS database Management Information System is out-dated, making the system very inefficient. Beneficiaries’ data is incomplete and data contains mistakes and repetitions, posing serious problems for the enforcement of compliance. It is not possible to verify the status of beneficiaries of the NIS and their participation in other Government programs. All these problems have caused extensive delays in the processing of claims and payment of benefits. | 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 | Decrease in the average time for pension claims processing (months):  Goal: 4 months/claim  Baseline: 12 | IV.4.a: The GoJ, through the MLSS, presents a report that includes:   1. An assessment of the current state of the hardware and software of the NIS 2. A proposal for the creation of an NIS database Management Information System that communicates beneficiaries’ information with other Government agencies | |
| **Component V. Implementation of a Fiscal Rule.** | | | | |
| 1. The current Fiscal Responsibility Framework does not adequately addresses the long term fiscal sustainability | 1. Debt is too high (stock is 140% of the GDP) 2. Delay in implementing corrective measures to address deviations from budget (the examination is done at least at the end of the year) 3. Inadequate safeguards against abuse of shock response mechanism | FAA and PBMA legislations amended | Decrease the time required to correct budget deviations  Goal: real time  Baseline: 1 year | V.1.a: V.1.a: Cabinet approves a concept paper on Fiscal Rules for the public sector (here defined as central government plus public bodies) This rule will be incorporated in the FY 2014/15 budget and will:  1) Establish debt reduction objectives specified as a medium term target of debt / GDP ratio  2) Enable automatic correction mechanisms to be implemented  3) Implement an escape clause to be activated only by Parliament.in case of major adverse shocks, such as national disasters and large-scale economic downturns among major trading partners, | |
| 1. The Line Ministries, Departments and Agencies (how many????) are not fully integrated in the new Central Treasury Management System (CTMS) | Treasury Management System (CTMS) implemented in all The Line Ministries, Departments and Agencies | Increase the number of spending units maintaining their accounts in the CTMS  Goal: how many  Baseline: xxx | V.2.a: The GoJ fully implements the Central Treasury Management System (CTMS) in all targeted Ministries, Departments and Agencies (MDAs). | |