



**PFM REFORM in Jamaica:  
Updating the PFM Reform Action Plan**

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**Technical Assistance Mission Report  
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## GLOSSARY

AGD	Accountant General Department
ASYCUDA	Automated System for Customs Data
AuGD	Auditor General Department
BPMS	Budget Preparation and Management System
BoJ	Bank of Jamaica
CARTAC	Caribbean Regional Technical Assistance Center
CoA	Chart of Accounts
CTMS	Central Treasury Management System
DG	Director General
DMB	Debt Management Branch
DP	Development Partner
FAA	Financial Administration and Audit Act
FAD	Fiscal Affairs Department of IMF
FINMAN	Financial and Management Software
FPMU	Fiscal Policy Management Unit
FPP	Fiscal Policy Paper
DFS	Deputy Financial Secretary
FY	Fiscal Year (1 April – 31 March)
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoJ	Government of Jamaica
HCMES	Human Capital Management Enterprise System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
J\$	Jamaica dollars (exchange rate 124 J\$ per USD)
JCA	Jamaica Customs Agency
MoFPS	Ministry of Finance and Public Service
PB	Public Body
PED	Public Enterprises Division
PEFA	Public Expenditure and Financial Accountability
PEX	Public Expenditure Division
PFM	Public Financial Management
PFMRAP	Public Financial Management Reform Action Plan
PIM	Public Investment Management
PIMIS	Public Investment Management Information System
PPA	Public Procurement Act of 2015
PXPC	Public Expenditure Policy Coordination Division
TAJ	Tax Administration of Jamaica
TA	Technical Assistance
TSA	Treasury Single Account
USD	United States Dollars

## **PREFACE**

In response to a request from the Ministry of Finance and Public Service (MoFPS), Government of Jamaica (GoJ), a Caribbean Regional Technical Assistance Center (CARTAC) technical assistance (TA) mission visited Kingston during April 24 – 28, 2017 to follow up on the 2016 PEFA and update the PFM action plan. The mission reviewed with the various departments their ongoing and planned reforms, provided guidance on improvements, and updated the reform action plan. With a strategy to share the updated action plan, the mission also delivered a workshop on 28<sup>th</sup> April. The mission was led by Frans Ronsholt and included Patlian Johnson (both FAD experts).

The mission was guided in its work by Deputy Financial Secretary, Mr. Dunstan Bryan; and Andre Wiltshire, PFM Reform Secretariat.

The mission interacted with the staff of the MoFPS and the Auditor General Department, as listed in Appendix C.

The mission expresses its gratitude for the courtesy with which it was received and for the cooperation throughout the course of its visit.

## EXECUTIVE SUMMARY

**The purpose of the mission was to assist Jamaica in updating the PFM Action Plan based on gaps that were identified in the 2016 PEFA assessment and provide guidance on the monitoring progress.**

**Based on the experience with the previous Action Plan, it was agreed that the 2017 update of the Plan should be significantly simpler with fewer activities and initiatives/projects.** The updated plan would cover a four-year period i.e. the current fiscal year plus the following three years i.e. up to March 2021. Other features of the Plan include high level key performance indicators (KPIs) defined to mirror PEFA indicator criteria in full or in part and milestones for each of the reform actions/initiatives set for each year. Further details of PFM reform and capacity building activities under each reform action/initiative will be covered in the annual updates of departmental corporate plans.

**PFM system weaknesses were identified on the basis of the 2016 PEFA assessment, using two complementary approaches.** Firstly, an analysis of performance gaps – compared to ‘core PFM functions’ – identifying functions where there are significant gaps which should be addressed as high priority for PFM reform. Secondly, an analysis was done on the findings of the 2016 PEFA assessment, focusing on the new or significantly changed performance standards of the updated 2016 PEFA Framework. The more advanced PFM functions to be addressed by the Action Plan - as core functionality is achieved - include performance information for service delivery; public investment management; public asset management – notably non-financial assets; and medium-term perspective in expenditure budgeting.

**The mission held meetings with key departments of MoFPS and the Auditor General** in order to obtain information on ongoing and planned reforms as well as discussion of potential reforms to address the above identified functionality gaps, not already covered by reform plans.

**The PFM Reform Action Plan resulting from the mission is presented in summary form in Table 1 below and in detail in the attached Appendix A.** To complete the final version the PFM Secretariat of MoFPS needs to discuss the reform actions with each of the reform leading departments in order to confirm the Plan’s content in relation to identifying suitable means of verification of milestones as well as the need for technical assistance and financial resources for Plan implementation.

**Table 1 Summary of Objectives and Actions of the Proposed PFM RAP**

<b>Outcome/Systems Objective</b>	<b>Reform Actions</b>
<b>A. Aggregate Fiscal Discipline</b>	
Budget credibility maintained	Continuous monitoring of aggregate budget outturn to ensure they are kept within 95-105% range Strengthen fiscal risk statements in the FPP. Introduction of risk-based performance monitoring of PBs. Consolidated reporting on debt by PBs.
Expenditure arrears reduced	Reduce outstanding expenditure arrears Strengthen monitoring of timely payments
Revenue collection strengthened	Implement transfer pricing regime in LTO. ASYCUDA application strengthening. JCA internal assurance systems enhancement. Manage arrears cases to reduce stock of revenue arrears.
<b>B. Strategic Allocation of Resources</b>	
Budget formulation and execution linked to government economic and service policies.	Introduction of Medium Term Results Based Budgeting (MTRBB)
Extended horizon in MDA budgeting.	Introduction of Medium Term Results Based Budgeting (MTRBB)
<b>C. Efficiency in Resource Use</b>	
Cash management improved	Complete Treasury Single Account System; Improve accuracy of cash forecasts;
Competition in procurement increased	Operationalize Public Procurement Act 2015.
Returns from public investment improved	PIM Guidelines implemented; Public Investment Management Information System established
Management of non-financial assets enhanced	Development of non-financial assets policy and database.
Pay-roll management system strengthened	Introduction of integrated human resources software.
<b>D. External Accountability</b>	
Reporting to Parliament improved	Implement Budget Preparation and Management System; Complete CTMS general ledger capabilities; Preparation of consolidated financial reports; Web-based FINMAN on central server; Development of IFMIS.
Public access to fiscal information improved	Issue of an annual citizens' budget document; Publishing of budget execution reports.

**Most of the core functions with performance deficiencies were found to be covered by ongoing or planned reforms and those reforms were included in the Action Plan.** However, some functions were not included in reform coverage because no appropriate measure has been worked out to address the functionality/performance deficiency. Recommended action to work out relevant reform measures are listed in table 2 below, with reference to the relevant paragraph of the present report for easy reference.

**The proposed monitoring system for the Plan will review progress on two levels.** The higher level review consists of KPIs based on the PEFA indicators that would be periodically evaluated through a PEFA self-assessment for instance. The lower level review will focus on the reform activities to be performed by various departments in the MoFPS and the achievement of milestones identified for the year. The PFM Secretariat in the MoFPS will be responsible for monitoring the progress reported by the departments.



**Table 2: Summary of Recommendations**

<b>Section -Para.</b>	<b>Recommendation</b>	<b>Short-term<sup>1</sup></b>	<b>Medium-term</b>
II.D			
21.	A thorough review of commitment controls should be undertaken in order to identify system changes that will ensure that domestic arrears do not reoccur.	√	
22.	The true level of domestic arrears be established (as of due date counting from day of invoice received or other legal/contractual trigger) and its development monitored. A comprehensive strategy for elimination of domestic expenditure arrears and avoidance of new arrears should be developed.		√
23.	The Government should closely monitor the impact of the new thresholds on the use of procurement methods in order to ensure that an adequate trade-off between operational efficiency and value for money has been achieved.		√
24.	A detailed technical review should be prepared for the important and complex budget reforms under MTRBB. MoFPS/PEX may wish to request TA expertise for that purpose.	√	
II.F			
34.	The PFM Secretariat should meet with lead departments for each reform action to confirm the actions, activities, and annual milestones included in the draft and decide objective means of verification.	√	
36.	The Secretariat should identify resource needs and costing of plan implementation in collaboration with the departments and any development partners interested in providing support.	√	
III.			
39.	The KPIs should be periodically evaluated for instance through PEFA self-assessment of selected indicators to validate that progress is being made.		√
41.	Mid-term review and updating of the plan should be undertaken no later than in 2019.		√
39.	The next PEFA assessment should be conducted in 2020 or 2021.		√

<sup>1</sup> Short term refers to FY2017/18

# I. BACKGROUND

**1. Jamaica is committed to improving public financial management (PFM).** Following the last PEFA assessment in 2012 Jamaica has been actively engaged in reforms. Since 2013 CARTAC supported Jamaica on its PFM reform program providing technical assistance on updating the PFM reform action plan and establishing a framework for monitoring reform activities.

**2. The Government of Jamaica undertook a Public Expenditure and Financial Accountability (PEFA) assessment on the status of its PFM system in October 2016.** The 2016 PEFA results noted that Jamaica has a strong public financial management system and has made improvements from the last assessment in 2012. However, weaknesses in areas such as management of expenditure and revenue arrears, control of contractual commitments, medium-term program budgeting, financial reporting and overall treasury operations still exist. Jamaica is committed to continue the process of improvement of its PFM systems by updating the PFM reform action plan to address weaknesses identified and undertake remedial activities. The PFM Secretariat in the MoFPS has been set up and is responsible for monitoring the reform activities.

**3. The purpose of the mission was to assist Jamaica in updating the PFM Action Plan based on gaps that were identified in the recent PEFA assessment and provide guidance on monitoring progress.** The mission made recommendations on the structure and content of the draft PFM action plan based on the 2016 PEFA assessment. Additional guidance was given on areas to monitor by identifying key actions, activities, KPIs based on the PEFA indicators and annual milestones. The mission was conducted by IMF Experts Frans Ronsholt and Patlian Johnson 24-28 April 2017 under the direction of CARTAC adviser Celeste Kubasta. The draft report was issued 9 May 2017. It was revised on the basis of the Deloitte report on MTRBB later received and comments provided by MoFPS and IMF Fiscal Affairs Department.

## II. PFM ACTION PLAN UPDATE

### A. Background on Jamaica's PFM Action Plan

**4.** The Government of Jamaica prepared the original PFM Action Plan after the 2012 PEFA assessment. The plan identified in great detail reform activities to be carried out by various agencies based on gaps in the PEFA assessment along with performance measures and timelines. Subsequently, a PFM Reform Action Plan Monitoring Committee was formed to monitor progress and report to a Steering Committee comprising MoFPS and donors. The Steering Committee was responsible for identifying any strategies to deal with issues arising from implementing reforms.

5. Since the 2012 PEFA assessment CARTAC has provided assistance to Jamaica on refining its PFM Reform action plan, establishing a mechanism for monitoring reform activities and training on the PEFA methodology, scoring and data.
6. The previous PFM Action Plan, prepared in November 2012 and last updated in March 2014, had proven to be too detailed to monitor. It contained some 115 activities under 45 reform initiatives. Only a few of the departments responsible for implementation had provided regular progress reports, and the detailed content meant that it had been difficult for the PFM Reform Secretariat to monitor progress regularly and to update the Plan periodically.
7. Moreover, the monitoring committee did not meet or report regularly. Eventually the monitoring committee was suspended. Reasons for the breakdown in monitoring were linked to the very detailed PFM reform action plan being difficult to update and hence difficult to use as a monitoring tool. The requirement for monthly reporting on PFM related activities on the part of the responsible agencies within the MoFPS also proved onerous, especially since quarterly reporting was done for updates on the status of corporate plans.
8. Based on a request from the Government of Jamaica a PEFA assessment was carried out in October 2016. It highlighted areas of improvement from the last PEFA assessment in 2012, areas of backsliding and additional weaknesses in the PFM system. Some of the weaknesses identified centered around risk management, multi-year budgeting and the treasury function. These formed the basis for updating the PFM reform action plan.

## **B. Features of the updated the PFM Action Plan**

9. **Based on the experience with the previous Action Plan, it was agreed that the 2017 update of the Plan should be significantly simpler.** Fewer activities and initiatives/projects should be listed in and be monitored through the Plan. This would be achieved by including in the Plan only the core actions/initiatives needed to address the key weaknesses of the systems.
10. **The updated plan should cover a four-year period and provide annual milestones.** The plan would cover the current fiscal year plus the following three years i.e. up to March 2021. It was recognized that some of the reform actions would not be completed by that date, but considered unrealistic to cover a longer period in any detail. This timeframe would also fit with a subsequent PEFA assessment taking place with no more than a five year gap i.e. latest in 2021.
11. **High level key performance indicators (KPIs) should be defined to mirror PEFA indicator criteria in full or in part.** This link to the PEFA indicators would ensure that the reform actions identified in the Plan would be closely linked to the weaknesses identified by the 2016 PEFA assessment.
12. **Milestones for each of the reform actions/initiatives would be set for each year.** This would allow the PFM Secretariat to follow and report annually on progress towards

achieving the targets for the core reform actions. Further details of the reform and capacity building activities under each reform action/initiative will be covered in the annual updates of the corporate plans which all MDAs prepare and submit in November of each year together with their budget proposals.

## **C. Identification and prioritization of PFM systems weaknesses**

**13.** PFM systems weaknesses were identified on the basis of the 2016 PEFA assessment, using two complementary approaches.

**14. Firstly, an analysis of performance gaps – compared to ‘core PFM functions’ - was undertaken<sup>2</sup>.** This analysis is based on the ‘Good Practice Note of Sequencing PFM Reforms<sup>3</sup>’ and identified PFM functions for which GOJ did not reach the PEFA scores identified as required for core functionality. Core functionality comprise a set of functions needed to enable other PFM functions working effectively in a sustainable manner and be operational without absorbing excessive levels of resources. In particular, core functionality covers financial compliance i.e. probity and regularity in high risk areas which are prone to waste and embezzlement. Thus, core PFM functionality is considered the performance level needed to enable successful reforms at a more advanced level (such as program budgeting and medium term budgeting). The analysis is based on scores using the 2011 PEFA Framework – applied to 2016 performance in Jamaica – and presented in Appendix D.

**15. The functions where significant gaps were identified should be high priority for PFM reform action and included:**

- a.** Monitoring of expenditure arrears and effectiveness of commitment control to avoid future arrears (ref. PI-21, 22 and 25<sup>4</sup>);
- b.** Public access to information (ref. PI-9);
- c.** Level and age of tax arrears (ref. PI-19);
- d.** Recording, management and reconciliation of cash balances in all government bank accounts (ref. PI-21);
- e.** Internal controls in processing of payrolls (ref. PI-23);
- f.** Use of open competition in procurement and public access to procurement information (ref. PI-24);
- g.** Timeliness and consolidation of in-year budget execution reports and end-year financial reports (ref. PI-28 and 29).

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<sup>2</sup> Findings at a more aggregated level were presented by CARTAC at a meeting of GOJ and DPs on 3rd April 2017.

<sup>3</sup> Jack Diamond: ‘Good Practice Note on Sequencing PFM Reforms’ and the accompanying paper by Daniel Tommasi: ‘The Core PFM Functions and PEFA Performance Indicators’, both January 2013.

<sup>4</sup> The PI numbers here refer to the 2016 PEFA Framework. Note that the analysis in Appendix D uses the 2011 PEFA Framework and therefore has different PI numbers for the same functions.

**16.** Other core functionality gaps are noted but not considered necessary to address in the action plan for various reasons as follows:

- Timeliness of reliable information on transfers to sub-national government (the amounts involved are very limited);
- Timely budget approval by the legislature (the score was affected by the national elections);

**17. Secondly, an analysis was done on the findings of the 2016 PEFA assessment, focusing on the new or significantly changed performance standards of the Updated 2016 PEFA Framework.** The analysis identified the PFM functions where Jamaica scored D. Many of the D scores reinforce the findings under the first approach. However, a number of more advanced functionalities also received D scores and should be considered as part of the Action Plan, assuming that the core PFM functionality gaps are being addressed prior to or in parallel with commencement of the more advanced reforms.

**18. The more advanced PFM functions which may be addressed by the Action Plan include the following:**

- h.** Performance information for service delivery (ref. PI-8);
- i.** Public investment management systems (ref. PI-11);
- j.** Public asset management – notably non-financial assets (ref. PI-12);
- k.** Medium-term perspective in expenditure budgeting (ref. PI-16).

## **D. Information covering ongoing and planned reforms**

**19. During the mission meetings were held with key departments of MoFPS and the Auditor General** in order to obtain information covering ongoing and planned reforms as well as discussion of potential reforms to address the above identified functionality gaps, not already covered by reform plans (ref. mission itinerary and list of officials met in Appendices B and C respectively). In particular, the meetings identified a limited number of priority actions to be implemented under the responsibility of each key department and included in the overall PFM RAP. The meetings also discussed realistic milestones for each year of the Plan. A workshop was arranged at the end of the mission at which a first draft of the PFM RAP was presented to representatives from the same departments and further refinements discussed. The discussions made reference – amongst others - to already elaborated action plans for selected PFM functions

where such plans had already been drafted<sup>5</sup>, and to official policy statements and expression of targets<sup>6</sup>.

**20. Most of the functions with performance deficiencies (listed as a.-k. in paragraph 15 above) were found to be covered by ongoing or planned reforms and those reforms were agreed to be included in the Action Plan.** However, some functions were not included in reform coverage either because the reform had already taken place at the time of the 2016 PEFA assessment but its impact could not affect indicator ratings, or the reform has been completed during the six months since the assessment. Other performance deficiencies could not be included because no appropriate measure has been worked out to address the functionality or performance deficiency and the mission did not have the time and resources to develop and discuss such new reform measures.

**21. No reforms were identified to specifically address the recurrence of expenditure arrears.** Arrangements have been made to pay off the current stock of expenditure arrears through special procedures. For arrears to suppliers of goods and services, this involves direct payments initiated by PEX to suppliers with large and long outstanding claims, using funds from warrants before transferring funds to the respective MDAs. For tax refund arrears, TAJ has in place an agreed policy guided by monthly ceilings for such payments. Improved cash forecasting, which may allow budget releases to be made for periods longer than a month, is included in the Action Plan. A consolidated accounting system, which would allow more comprehensive and timely budget execution reports to be issued, are also included. While both of these measures are supportive of commitment control, no comprehensive approach to effective commitment control was apparent. *It is recommended* that a thorough review of commitment controls is undertaken in order to identify system changes that will ensure that domestic arrears do not reoccur<sup>7</sup>. There is also need to monitor the adequacy of the monthly ceilings for tax refunds to ensure that they are sufficient to bring the stock of arrears down to an acceptable level in the course of the PFM RAP horizon<sup>8</sup>.

**22. Identified reforms will allow closer monitoring of expenditure arrears, particularly when the new e-procurement system becomes linked to the web-based FINMAN/CTMS system.** The actual level of expenditure domestic arrears (including to suppliers) is likely to be

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<sup>5</sup> Jamaica – An Update on Treasury Modernization and Macro-Fiscal Capacity Development, IMF Technical Assistance Report, December 2016.

<sup>6</sup> Jamaica: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding. Government of Jamaica, March 29, 2017.

<sup>7</sup> The 2016 PEFA assessment highlights some control issues ref. paragraphs 188, 228 and 229. Commitment control has also been discussed in earlier TA reports such as IMF/FAD report 'JAMAICA - Capacity Building Support for Core Ministry of Finance and Planning Functions, Inception Report' September 2014, paragraphs 116-119.

<sup>8</sup> This is being monitored under the ongoing three-year Stand-By Arrangement with IMF.

much higher than the J\$ 21 billion as of March 2016, mentioned in agreements with IMF, for two reasons. Firstly, this figure is based on payments overdue by 90+ days after the contractual payment date including any grace period (usually 30 days). The true level of arrears would be established by measuring on 0+ days overdue from end of grace period. Secondly, monitoring currently starts from the payment order/mandate is forwarded by the relevant MDA to AGD for payment, whereas the true level of arrears need to take into account also the period from receipt of the supplier's invoice (or alternative contractual payment trigger) until the related payment order is issued. Whilst the first issue is easily taken into account in reporting arrears, the second issue may be difficult to address until contract information on the e-procurement platform becomes linked to payment information in the web-based FINMAN/CTMS system (not included in PFM RAP for this period as it is considered too ambitious). Nevertheless, AGD intends to instruct MDAs to fill the due date field in the payment order form, which is currently rarely done. The latter measure (included in PFM RAP) would allow manual monitoring of the true level of domestic arrears to suppliers. *It is recommended* that the true level of domestic arrears be established and its development monitored throughout the PFM RAP period. Also a comprehensive strategy for elimination of arrears and avoidance of new arrears should be developed.

**23. The new Public Procurement Act of 2015 is expected to become effective by mid-2017, but is not likely to address all of the procurement related issues identified by the 2016 PEFA assessment.** The related regulations have been drafted and are expected to be approved during Q2 of FY2017/18, which would enable the law to become effective. The law provides for mandatory preparation and publication of annual procurement plans by MDAs and includes sanctions for non-compliance (ref. PEFA PI-24.3). However, the issue of a relatively low degree of competition in procurement (ref. PEFA PI-24.2, rated D) will not be addressed by the new law or any other measures discussed during the mission. The share of procurement value using competitive methods is likely to drop further in FY2016/17 (from 47% in 2015/16) due to significant increases in thresholds for use of competition introduced in October 2016<sup>9</sup>. *It is recommended* that the Government closely monitors the impact of the thresholds on the use of procurement methods in order to ensure that an adequate trade-off between operational efficiency and value for money has been achieved.

**24. MoFPS is embarking on major budget reforms during this Action Plan period, namely program budgeting and medium term budgeting. These reforms are known as the Medium Term Results Based Budgeting (MTRBB) reform.** Program budgeting will enable a more direct link between government policy and budget management – through specification of program outputs and outcomes and monitoring of their achievement – and make program managers accountable for results. GOJ already implements a Medium Term Fiscal Framework<sup>10</sup>

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<sup>9</sup> MoFPS Circular #27 of September 28, 2016.

<sup>10</sup> Ref. 2016 PEFA assessment, indicators PI-14.2 and PI-15.2 both scoring 'A'

and now intends to progress towards a Medium Term Expenditure Framework which will enable increased predictability in budget allocations and related planning of public services over the medium term. Both of these reforms are complex, will take several years to fully implement (i.e. beyond 2020/21). They also involve many stakeholders, in particular all 55 MDAs and many departments of MoFPS, but also civil society, the Auditor General's Department and Parliament. Initial steps have been taken on the MTRBB reform as work has been ongoing with one ministry and selected MDAs have started to align their specification of programs in the corporate plans with program definition as per the new CoA. A change management plan has been prepared<sup>11</sup>. The plan deals comprehensively with the administrative processes of implementing MTRBB to be managed by PEX, and touches on issues of IT systems to support the reform. However, it does not explicitly address some important technical issues of the reforms which will be crucial for their success, such as

- changes in MDAs to align the organizational structures to program structures,
- how budget control will be shaped under program budgeting in order to hold managers accountable while giving them adequate budget management flexibility,
- how to proceed through a medium term budget framework to a detailed medium term expenditure framework,
- whether commitment control will include multi-annual commitments under forward estimates, and
- the ability to report expenditure outturns in budget program format.

**25.** All of these issues need to be studied and decisions taken in order to prepare legislation that will allow full implementation of the MTRBB reform. *It is recommended* that a technical review of these issues be initiated during the current fiscal year and its findings be combined with findings from a review of MTRBB experience in the pilot MDAs before draft legislation is issued for consultation. MoFPS/PEX may wish to request TA expertise for that purpose.

**26. In addition to reforms addressing the essential PFM weaknesses identified by the PEFA assessment, discussions also covered some reforms to strengthen functions which already meet core PFM functionality criteria.** Whilst core PFM functionality is a benchmark which allows more advanced reforms to proceed, reforms in core PFM functions should continue on a prioritized basis. First priority should be given to strengthen functions in support of aggregate fiscal discipline and budget credibility. Several reform actions were identified for inclusion in the Action Plan in this respect, particularly as concerns management of major fiscal risks and strengthened revenue administration. An intended transition of accounting standards to Cash based IPSAS (currently being piloted by AGD) was also discussed, but it was agreed that this reform should wait until consolidated financial reporting - already included in the Plan - has been successfully completed i.e. wait until 2021.

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<sup>11</sup> Deloitte: Implementation of a Medium Term Results Based Approach to Budgeting, Change Management Plan; April 7, 2017



## E. Updated Jamaica PFM Action Plan

**27. The draft PFM RAP emerging from the above process is presented in Appendix A.**

**The Plan is divided into two tables:** Table 1 presenting the highest level for purpose of expected outcomes, key performance indicators and reform actions; Table 2 presenting the details of major distinct activities under each reform action (where appropriate) with the lead/responsible department identified and annual milestones for the 4-year period.

**28. The organizing principle of Table 1 is the three main fiscal/budgetary outcomes of a good PFM system** (ref. PEFA Framework). In addition, a fourth outcome has been defined as 'External Accountability' as this represents a major concern identified in the PEFA assessment and is not easily reflected under the other three outcomes due to its cross-cutting nature. Under each outcome, the table defines a set of specific reform objectives for the coming period. KPIs, which reflect specific measurement for monitoring purposes, are identified for each reform objective, and closely linked to PEFA indicators (with reference in each case).

**29. The reform actions to be carried out or lead by the key departments of MoFPS provide the link between table 1 and table 2.** The actions are listed per expected contribution towards the overall reform objectives.

**30. To avoid repetition, a reform action is only listed once in table 1 even if it may contribute towards more than one reform objective and outcome.** It is placed under the reform objective to which it is expected to contribute the most.

**31. Some actions depend on the progress on other actions, the latter becoming a precondition for a reform to commence or for achieving an annual milestone.** Such links between actions are shown as a reference to the relevant precursor action inserted under milestones for the relevant year of the dependent activity.

**32. Several reform activities are expected to be completed before the last year of the plan period with their target output becoming an annual routine activity.** The target output is shown as a milestone only in the first year it is achieved; in the following years the target is listed as 'continuous'.

**33. The draft PFM RAP represents the desired simplification of the previous Action Plan** as it covers less than a third of the activity details (number of activity lines) included in the 2012 Action Plan (as updated in May 2014).

## F. Next steps for completion of the PFM Action Plan

**34. The PFM Secretariat of MoFPS has set the goal of finalizing the Action Plan by early June 2017.** This deadline would be timely for approval of the Plan at the level of the Financial Secretary Executive Committee which is comprised of all the executives of the MoFPS.

**35. The Mission agreed with the Secretariat that the content of the draft PFM RAP as presented in Appendix A will be discussed in meetings between the Secretariat and each of the responsible departments.** These meetings will confirm or refine the actions, activities, and annual milestones included in the draft<sup>12</sup>. The meetings will also seek to specify quantitative milestones where these are inserted in hard brackets [...] as such milestones represent suggestions by the TA mission and were not confirmed by the relevant departments during the mission. Discussions should also identify suitable, objective means of verification of the milestones and KPIs.

**36. It was also agreed that resource needs and/or costing of the support to implementation of each of the activities will be undertaken by the Secretariat in collaboration with the relevant key/technical department and any development partner which is providing support or has committed or expressed interest in doing so.** The far right column in table 2 of PFM RAP has been included but left blank for this purpose. It is recommended that the details in this column focus on physical description of resource needs where the resources are expected to be provided by DPs, as cost information may not be obtainable from DPs, and unit costs can vary significantly depending on which DP provides the input. Resources to be provided out of the government's annual budgets should be costed and shown in J\$.

### III. Proposed Monitoring System

**37. The proposed monitoring system is based on the two tables of the PFM RAP that are linked by reform actions.** The number assignment makes it easy to determine the KPIs that are assigned to the PFM objectives, the corresponding actions that are needed, which department will be responsible for performing them, what activities will be undertaken and how annual progress will be measured.

**38. The PFM reform action plan can be monitored on two levels. Table 2 of PFM RAP lists the reform activities and milestones for each year.** Departments will report quarterly to the PFM Secretariat on the detailed PFM related activities that form part of their corporate plans. The Secretariat will assess the progress as they relate to the annual milestones and report to the DFS Technical Coordination in the MoFPS. Once a milestone has been achieved the monitoring template can be updated with actuals. The proposed monitoring system is flexible enough to enable adjustments to the activities and milestones if there is any slippage. The Action Plan should also be updated when relevant new policies have been approved or detailed plans for selected reform areas have been formulated.

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<sup>12</sup> This is presumably reflected in the comments received from the PFM Secretariat 29 May 2017, of which most of the suggested amendments have been incorporated in the revised report.

**39. Table 1 of PFM RAP provides a higher level view of reform progress. The KPIs are based on the PEFA indicators and once the milestones are achieved this should reflect positively on the KPIs.** The KPIs should be periodically evaluated for instance through PEFA self-assessment of selected indicators to validate that progress is being made. The next PEFA assessment should be conducted in 2020 or 2021 i.e. 4-5 years after the most recent one as recommended by the PEFA Secretariat.

**40. It should be noted that some of the KPIs and reform milestones are also being monitored through other mechanisms.** E.g. progress in the expenditure arrears clearance and roll out of the HCMES are included in the quantitative and structural benchmarks of the Government's ongoing Stand-By Arrangement with the IMF. The PFM Secretariat should coordinate monitoring information with departments responsible for such parallel monitoring.

**41. It should be considered to undertake a mid-term review of the plan and its implementation,** say after two years i.e. in 2019. Many reform actions cannot be pursued in earnest until more detailed plans have been elaborated, and in other cases unforeseen circumstances of both internal and external nature may require plans to be changed. The PFM RAP should be seen as a rolling plan which needs periodic updating. Whilst annual updating of the entire may be desirable on an annual basis, this may be considered too cumbersome. As a minimum, however, the plan should be updated every two years.

## **IV. Future Support and Technical Assistance**

**42. MoFPS may wish to consider further technical assistance for finalizing the plan, making its monitoring operational, and conducting a mid-term review and plan update.**

**43.** Whilst some departments have undertaken substantial work on preparing for their anticipated reform actions, others are at early stages of working out operational plans for achieving desired goals. The complex budget reforms are particularly important to get right due to the many links to other reform areas. Similarly, a road map for development of an IFMIS may need expert inputs. Also, the area of commitment control would merit support to identify reforms that would render controls effective and put a stop to generation of further expenditure arrears.

**44.** Furthermore, the plan should be costed and MoFPS may wish to get support for that process. This would potentially involve discussions with interested DPs in order to identify likely support to selected actions and the related resource inputs.

**45.** Making the monitoring of PFM RAP operational may also be an area where MoFPS may consider further support. This could involve development of a reporting format for departments to the extent that reporting on the departmental corporate plans are insufficient, and identifying PEFA indicators that could be useful and manageable to update on an annual basis through self-assessment.

**46.** Finally, the proposed mid-term review and plan update may be an area that could benefit from technical assistance.

# APPENDICES

## A. Draft PFM Reform Action Plan 2017-2021

**TABLE 1. Outcomes, Systems Objectives and Key Performance Indicators**

<b>Outcome/ Systems Objective</b>	<b>Key Performance Indicator</b>	<b>PEFA ref.</b>	<b>Contributing Actions (ref. Table 2)</b>
<b>A. Aggregate Fiscal Discipline</b>			
A.1 Budget credibility maintained	A.1.a Aggregate budget outturn kept within 95-105% range. A.1.b The FPP quantifies and consolidates information on all significant contingent liabilities and other fiscal risks to central government. A.1.c Records of domestic and foreign debt and guarantees are complete, accurate and updated quarterly by FY2019/20.	PI-1  PI-10  PI-13.1	A.1.1 Strengthen fiscal risk statements in the FPP. A.1.2 Introduction of risk-based performance monitoring of PBs. A.1.3 Consolidated reporting on debt by PBs.
A.2 Expenditure arrears reduced	A.2.a Expenditure arrears reduced from 8.2% of total expenditure in March 2016 to 4.0% by March 2020. A.2.b Arrears monitoring extended to cover period from receipt of invoice in FY2019/20.	PI-22.1  PI-22.2	A.2.1 Reduce outstanding expenditure arrears A.2.2 Strengthen monitoring of timely payments
A.3 Revenue collection strengthened	A.3.a Strengthened use of Transfer Pricing Agreements for TAJ risk management. A.3.b Strengthened use of ASYCUDA for JCA risk management. A.3.c Strengthened capacity to detect and deter fraud and corruption by JCA's Internal Audit Unit, Internal Affairs Unit and Investigation Unit. A.3.d Ratio of total revenue arrears to total revenue collections remains below 30%; the share of total arrears that is older than 12 months reduced from 95% at end FY2015/16 to below [75]% at end FY2019/20.	PI-19.2  PI-19.2  PI-19.3  PI-19.4	A.3.1 Implement transfer pricing regime in LTO. A.3.2 ASYCUDA application strengthening. A.3.3 JCA internal assurance systems enhancement.  A.3.4 Manage arrears cases to reduce stock of revenue arrears.
<b>B. Strategic Allocation of Resources</b>			
B.1 Budget formulation and execution linked to government economic and service policies.	B.1.a Information is published for FY2020/21 on program objectives, KPIs and outputs to be produced for the majority of MDAs. B.1.b Information is published for FY2019/20 on KPI, output and budget outturns by budget program for a quarter of MDAs.	PI-8.1  PI-8.2	B.1. Introduction of Medium Term Results Based Budgeting (MTRBB)

<b>Outcome/ Systems Objective</b>	<b>Key Performance Indicator</b>	<b>PEFA ref.</b>	<b>Contributing Actions (ref. Table 2)</b>
B.2 Extended horizon in MDA budgeting.	B.2.a The annual budget for FY 2020/21 presents all estimates of revenue and expenditure for the budget year and the two following years, allocated by administrative, economic and program classification.	PI-16.1	B.1 Introduction of Medium Term Results Based Budgeting (MTRBB)
<b>C. Efficiency in Resource Use</b>			
C.1 Cash management improved	C.1.a By 2019/20 MDA cash forecasts consistently reflect payment requirements (rather than funds for commitment).	PI-21.2	C.1.1 Complete Treasury Single Account System; C.1.2 Improve accuracy of cash forecasts;
C.2 Competition in procurement increased	C.2.a Procurement plans for FY2019/20 will be published for MDAs and subsidized, non-commercial PBs covering at least 75% of procurement operations by value.	PI-24.2	C.2.1 Operationalize Public Procurement Act 2015.
C.3 Returns from public investment improved	C.3.a Prior to inclusion in the FY2020/21 budget, all major investment projects are prioritized by MOF on the basis of published standard criteria for project selection including economic analysis; C.3.b As from FY2018/19 total cost and physical progress of all major investment projects are monitored by the implementing GOJ unit; monitoring information is consolidated into a whole of government information and reporting system.	PI-11.1 & PI-11.2  PI-11.4	C.3.1 PIM Guidelines implemented;  C.3.2 Public Investment Management Information System established
C.4 Management of non-financial assets enhanced	C.4.a By 2020 GOJ maintains a register of its holdings of all fixed assets, with information on usage and age.	PI-12.2	C.4.1 Development of non-financial assets policy and database.
C.5 Pay-roll management system strengthened	C.5.a Approved staff list, personnel database and payroll are directly linked for entities covering at least 75% of wage bill by FY2020/21. C.5.b Authority and basis for changes to personnel records and payroll are clear and adequate to ensure high integrity of data	PI-23.1  PI-23.3	C.5.1 Introduction of integrated human resources software.
<b>D. External Accountability</b>			
D.1 Reporting to Parliament improved	D.1.a Consolidated monthly budget execution reports for BCG including both recurrent and capital expenditure will be	PI-28.1	D.1.1 Implement Budget Preparation and Management System;

<b>Outcome/ Systems Objective</b>	<b>Key Performance Indicator</b>	<b>PEFA ref.</b>	<b>Contributing Actions (ref. Table 2)</b>
	<p>completed within four weeks of end of reporting period from FY2018/19.</p> <p>D.1.b Annual consolidated financial statements (unaudited) are completed within 6 months of year-end for FY2017/18 onwards.</p>	<p>PI-28.2</p> <p>PI-29.2</p>	<p>D.1.2 Complete CTMS general ledger capabilities;</p> <p>D.1.3 Preparation of consolidated financial reports;</p> <p>D.1.4 Web-based FINMAN on central server;</p> <p>D.1.5 Development of IFMIS.</p>
D.2 Public access to fiscal information improved	<p>D.2.a A citizens' budget document for FY2019/20 is posted a government website in a proposal version within two weeks of the executive's budget proposal submission to Parliament and in an 'as approved' version within one month of the budget's approval.</p> <p>D.2.b In-year and end-year budget execution reports are routinely posted on MOF website within one month of their completion from beginning of FY2019/20.</p>	<p>PI-9 (8)</p> <p>PI-9 (3 &amp; 4)</p>	<p>D.2.1 Issue of an annual citizens' budget document;</p> <p>D.2.2 Publishing of budget execution reports.</p>



**PFMRP 2017-2021 – TABLE 2. Actions, Activities and Annual Milestones**

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
A.1.1 Strengthen fiscal risk statements in FPP.	FPMU	Quantify risks and conduct impact analyses on fiscal balance.	Classification & prioritization included in FPP	Quantified impact analysis table in FPP	Additional risks quantified.	<i>Continuous</i>	
A.1.2 Introduction of risk-based performance monitoring of PBs.	PED	Implement risk-based performance monitoring for PBs.		Monitoring framework for PBs finalized and approved			
A.1.3 Consolidated reporting on debt by PBs.	DMB	Debt management reports to include all government guarantees/contingent liabilities of PBs.		Annual report issued.	Biannual reports issued.	Quarterly reports issued.	
A.2.1 Reduce expenditure arrears	PEX	Implement strategy for reducing expenditure arrears to suppliers (90+ days overdue); end of FY2015/16 = 6.2% of primary expenditure	Expenditure arrears to suppliers reduced to 5.4%	Expenditure arrears to suppliers reduced to 5.0%	Expenditure arrears to suppliers reduced to 4.0%	<i>Continuous</i>	
	TAJ	Implement strategy for reducing tax refund arrears (90+ days overdue); end FY2015/16 = 4.2% of tax collections	Tax refund arrears reduced to 4.0%	Tax refund arrears reduced to 3.5%	Tax refund arrears reduced to 3.0%	<i>Continuous</i>	

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
A.2.2 Strengthen monitoring of timely payments.	AGD	Issue directive instructing MDAs to fill due date field for all contract payments	Instruction issued	Weighted average delay from due date to payment estimated.			
A.3.1 Implement transfer pricing regime in LTO.	TAJ	Implement transfer pricing agreements	TP Unit staff trained; Practice notes issued	All agreements monitored	<i>Continuous</i>	<i>Continuous</i>	
A.3.2 ASYCUDA application strengthening.	JCA	Implement virtual training platform for ASYCUDA.		Virtual training platform designed	Virtual training platform installed and tested	50% of officers trained, assessed and certified	
A.3.3 JCA internal assurance systems enhancement.	JCA	Develop an Enterprise Risk Management framework	Consultant procured	Framework approved			
	JCA	Implement the policy to deter and detect fraud and corruption	Number of detected cases	Number of detected cases	Number of detected cases	<i>Continuous</i>	
A.3.4 Manage arrears cases to reduce stock of revenue arrears.	TAJ	Implement write-off policy for tax arrears.	Amount written-off from prior years	Amount written-off from prior years	Amount written-off from prior years	Amount written-off from prior years	
	TAJ	Eliminate backlog of tax appeals cases	137 cases disposed of	198 cases disposed of			
B.1 Introduction of Medium Term Results Based Budgeting (MTRBB)	PEX	Align corporate plans to program budget structure.	5 pilot MDAs submit plans with aligned structure	10 more MDAs submit plans with aligned structure	15 more MDAs submit plans with aligned structure	All 55 MDAs submit plans with aligned structure	

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
	PEX	Report output and outcome information for programs.	Program output & outcome indicators defined for 5 MDAs	5 pilot MDAs report output and outcomes	10 more MDAs report output and outcomes	15 more MDAs report output and outcomes	
	PEX	Incorporate forward estimates in program budget structure.		55 pilot MDAs report output and outcomes	55 pilot MDAs report output and outcomes	55 pilot MDAs report output and outcomes	
	PEX	Change legislation to reflect MTRBB			Current legislation and key issues in MTRBB management reviewed	Pilot MDA experience reviewed and revised legislation drafted	
C.1.1 Complete Treasury Single Account System.	AGD	Prepare comparison of TSA designs	Position paper submitted to cabinet				
	AGD	Conduct review of legislation, identifying changes required to adopt optimal TSA design	Position paper submitted to cabinet	Implement approved design			

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
C.1.2 Improve accuracy of cash forecasts	AGD	Develop cash forecasts for detailed revenue and expenditure items covered by TSA (ref. C.1.1)	Improved forecasting methodologies developed and tested by CMU for revenue and expenditure respectively	Forecasting errors remain at +/- 5% for revenue and expenditure forecasts with expanding TSA coverage	Forecasting errors remain at +/- 5% for revenue and expenditure forecasts with expanding TSA coverage	<i>Continuous</i>	
C.2.1 Operationalize Public Procurement Act 2015.	PXPC	MDA preparation and publication of procurement plans	Regulations approved		60% of MDAs publish annual procurement plans	All MDAs publish annual procurement plans	
C.3.1 PIM Guidelines implemented	PEX	Finalize and publish guidelines for public investment prioritization		Draft guidelines finalized	Cabinet approved guidelines published	Report on assessment of major investment projects	
C.3.2 Public Investment Management Information System (PIMIS) established	PEX	Monitor major investment projects	Decide PIMIS specifications	PIMIS procured	Draft monitoring guidelines approved; PIMIS tested	Monitoring report from PIMIS on all major investment projects	
C.4.1 Development of non-financial assets policy and database.	PXPC	Develop non-financial asset management policy (excluding land and sub-soil resources)		Draft policy prepared	Policy approved		

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
	PXPC	Design and populate centralized asset management system		Asset management information system designed	Launch of asset management information system; Inventory of fixed assets completed		
C.5.1 Introduction of integrated human resources software.	Executive Office	Roll-out of HCMES	Pilot roll-out to 14 entities completed	Roll-out to 17 entities completed	Roll-out to 34 entities completed	Payroll centralized for 65 MDAs	
D.1.1 Implement Budget Preparation and Management System (BPMS)	PEX	Complete installation of stand-alone BPMS (FreeBalance software)	Complete BPMS set-up; FY2018/2019 budget prepared using BPMS	FY2019/2020 budget prepared using BPMS	FY2020/2021 budget prepared using BPMS	FY2021/2022 budget prepared using BPMS	
	PEX	Integrate BPMS with web-based FINMAN		Link to FINMAN established and tested	Budget execution reports include original & revised budget	<i>Continuous</i>	
D.1.2 Complete CTMS general ledger capabilities;	AGD	Produce reconciliation report from GL			Reconciliation report with zero variances	<i>Continuous</i>	

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
D.1.3 Preparation of consolidated financial statements.	AGD (with MDAs)	Produce statutory and consolidated financial statements within legislated timelines	GAR Unit operational;	In-year management reports produced by GAR Unit	Annual financial statements for FY2018/19 within timeline in FAA Act	Consolidated statement for BCG produced (ref. D.1.4)	
D.1.4 Web-based FINMAN on central server.	PXPC	Consolidate financial information for central government budget operations	Web-based FINMAN launched	Consolidated, monthly in-year reporting initiated	Consolidated, monthly in-year reports timely prepared	Consolidated statement for BCG produced	
	PXPC	Develop a consolidation policy for other stages of consolidation: executive agencies and PBs		Consolidation policy developed	Consolidation policy approved	1 <sup>st</sup> stage of policy implemented	
D.1.5 Development of IFMIS.	PXPC	Develop and implement revised roadmap for IFMIS	IFMIS roadmap prepared	IFMIS roadmap approved	Systems connectivity enhanced (ref. D.1.1, D.1.4 with sequence and timing to be determined by roadmap)	Systems connectivity enhanced (connectivity with ref. to C.3.2, C.4.1 in following years)	
D.2.1 Issue of an annual citizens' budget document	PEX	Develop and issue a citizens' budget document.	Framework developed and approved	Draft simplified citizens budget issued for FY2019/20	Complete issue of citizens budget per framework	<i>Continuous</i>	

<b>Actions</b>	<b>Responsible</b>	<b>Activities</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Costing/ Resources</b>
D.2.2 Publishing of budget execution reports.	PEX	Posting of quarterly and annual budget execution reports on MOFPS website		Reports published (ref. D.1.4)	All reports published within one month of completion	<i>Continuous</i>	

## B. Mission Itinerary

<b>Date</b>	<b>Meetings held</b>
Monday 24 <sup>th</sup> April	Public Expenditure Division PFM Secretariat
Tuesday 25 <sup>th</sup> April	Account General Department
Wednesday 26 <sup>th</sup> April	Jamaica Customs Agency Economic Management Division Public Enterprises Division Tax Administration Jamaica
Thursday 27 <sup>th</sup> April	Public Expenditure Policy Coordination Division Account General Department
Friday 28 <sup>th</sup> April	Auditor General Department Update and close out meeting – all departments



## C. List of Officials Met

<b>Division/Department</b>	<b>Attendees</b>
PFM Secretariat	Dunstan E. Bryan, Deputy Financial Secretary, Technical Coordination Andre Wiltshire
Public Expenditure Division (PEX)	Lorris Jarrett, Deputy Financial Secretary Carolyn Campbell, Senior Director Carlene Morrison, Senior Director
Accountant General's Department (AGD)	Carlene Murdock, Accountant General Donald Miller, Deputy Accountant General Angela Williams, Deputy Accountant General Christie-kay Smith, Senior Director Tyrone Pitts, Cash Management Adviser
Economic Management Division	Dian Black, Principal Director Debt Management Department and Actg. DFS Janet Wallace, Senior Director, DMB Andre Foster, DMB Trevor Anderson, Senior Director, FPMU
Jamaica Customs Agency (JCA)	Velma Ricketts Walker, Commissioner Patricka Wiggan-Chambers, Senior Director Shornalee Jackson, Revenue Analyst
Public Enterprise Division (PED)	Carlene O'Conner, Actg. Deputy Financial Secretary Tiva Forbes, Senior Director
Tax Administration Jamaica (TAJ)	Andrea Gregory, Director
Public Expenditure Policy Coordination Division (PXPC)	Hope Blake, Deputy Financial Secretary Suzette Campbell, Senior Director, Internal Audit Directorate Cecile Maragh, Senior Director, Procurement and Asset Policy Unit Garcia Brown, Senior Director, Legal and Public Sector Reform Berome Edwards, Senior Director, Financial Systems Unit
Auditor General Department	Pamela Monroe-Ellis, Auditor General Delores Linton-Williams

## D. Gap Analysis for Core PFM Functionality

This analysis is based on the 2011 PEFA Framework ref. Annex 1.2 in the Jamaica 2016 PEFA Assessment Report.

Core functionality gaps are highlighted in yellow.

For high level PFM Objectives, see notes below the table.

	Indicator/Dimension	High Level PFM objective	Core PFM Functionality Score	Jamaica 2016 Score	Core Functionality Gap 2016
	<b>A. PFM-OUT-TURNS: Credibility of the budget</b>				
PI-1	<b>Aggregate expenditure out-turn compared to original approved budget</b>	2	n.a.	A	n.a.
PI-2	<b>Composition of expenditure out-turn compared to original approved budget</b>			B+	
	(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items.	3	n.a.	B	n.a.
	(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	1, 2	B	A	+1
PI-3	<b>Aggregate revenue out-turn compared to original approved budget</b>	2	n.a.	A	n.a.
PI-4	<b>Stock and monitoring of expenditure payment arrears</b>			C	
	(i) Stock of expenditure payment arrears (as a % of actual total expenditure for the corresponding fiscal year) & any recent change in the stock.	2	n.a.	C	n.a.
	(ii) Availability of data for monitoring the stock of expenditure payment arrears	1	B	C	-1
	<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>				
PI-5	<b>Classification of the budget</b>	1	C	A	+2
PI-6	<b>Comprehensiveness of information included in budget documentation</b>	1	A	A	0
PI-7	<b>Extent of unreported government operations</b>			A	
	(i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports.	1, 2	B	A	+1
	(ii) Income/expenditure information on donor-funded projects which is included in fiscal reports.	1, 2, 3	B	A	+1

	Indicator/Dimension	High Level PFM objective	Core PFM Functionality Score	Jamaica 2016 Score	Core Functionality Gap 2016
<b>PI-8</b>	<b>Transparency of inter-governmental fiscal relations</b>			C	
	(i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations).	1F, 4	(A to C <sup>13</sup> ) B	A	+1
	(ii) Timeliness of reliable information to SN governments on their allocations from central government for the coming year;	2, 4	(A to C) B	D	-2
	(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.	3, 4	D	D	0
<b>PI-9</b>	<b>Oversight of aggregate fiscal risk from other public sector entities.</b>			B	
	(i) Extent of central government monitoring of AGAs and PEs.	2	B	B	0
	(ii) Extent of central government monitoring of SN government's fiscal position	2, 4	(B to C) C	B	+1
<b>PI-10</b>	<b>Public access to key fiscal information</b>	1	B	C	-1
	<b>C. BUDGET CYCLE</b>				
	<b>C(i) Policy based Budgeting</b>				
<b>PI-11</b>	<b>Orderliness and participation in the annual budget process</b>			B+	
	(i) Existence of and adherence to a fixed budget calendar;	2	B	A	+1
	(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent);	2	B	A	+1
	(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years);	2	B	C	-1
<b>PI-12</b>	<b>Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>			C+	
	(i) Preparation of multi -year fiscal forecasts and functional allocations	2	C	C	0
	(ii) Scope and frequency of debt sustainability analysis	2	B	A	+1
	(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure;	3	D	D	0

<sup>13</sup> See notes regarding PFM Objective 4 below the table.

	Indicator/Dimension	High Level PFM objective	Core PFM Functionality Score	Jamaica 2016 Score	Core Functionality Gap 2016
	(iv) Linkages between investment budgets and forward expenditure estimates.	2	C	B	+1
	<b>C(ii) Predictability and Control in Budget Execution</b>				
<b>PI-13</b>	<b>Transparency of taxpayer obligations and liabilities</b>			A	
	(i) Clarity and comprehensiveness of tax liabilities	1F	B	A	+1
	(ii) Taxpayer access to information on tax liabilities and administrative procedures.	1F	B	A	+1
	(iii) Existence and functioning of a tax appeals mechanism.	1F	D	A	+3
<b>PI-14</b>	<b>Effectiveness of measures for taxpayer registration and tax assessment</b>			A	
	(i) Controls in the taxpayer registration system.	1	C	A	+2
	(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	1	B	A	+1
	(iii) Planning and monitoring of tax audit and fraud investigation programs.	1	C	A	+2
<b>PI-15</b>	<b>Effectiveness in collection of tax payments</b>				
	(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years).	1	C	D	-1
	(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.	1	B	A	+1
	(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.	1	C	A	+2
<b>PI-16</b>	<b>Predictability in the availability of funds for commitment of expenditures</b>			C+	
	(i) Extent to which cash flows are forecast and monitored.	1F, 3	C	C	0
	(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitments	1F, 3	B	C	-1
	(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	1F, 3	B	B	0
<b>PI-17</b>	<b>Recording and management of cash balances, debt and guarantees</b>			NR	
	(i) Quality of debt data recording and reporting	1, 2	B	B	0

	Indicator/Dimension	High Level PFM objective	Core PFM Functionality Score	Jamaica 2016 Score	Core Functionality Gap 2016
	(ii) Extent of consolidation of the government's cash balances	1	B	NR	-2
	(iii) Systems for contracting loans and issuance of guarantees.	1, 2	B	A	+1
<b>PI-18</b>	<b>Effectiveness of payroll controls</b>			D+	
	(i) Degree of integration and reconciliation between personnel records and payroll data.	1	C	B	+1
	(ii) Timeliness of changes to personnel records and the payroll	1	B	B	0
	(iii) Internal controls of changes to personnel records and the payroll.	1	C	D	-1
	(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	1	C	C	0
<b>PI-19</b>	<b>Competition, value for money and controls in procurement</b>			C	
	(i) Evidence on the use of open competition for award of contracts	1	B	C	-1
	(ii) Extent of justification for use of less competitive procurement methods.	1	C	D	-1
	(iii) Public access to complete, reliable and timely procurement information	1F	B	C	-1
	(iv) Existence of an independent administrative procurement complaints system.	1F	D	B	+2
<b>PI-20</b>	<b>Effectiveness of internal controls for non-salary expenditure</b>			C+	
	(i) Effectiveness of expenditure commitment controls.	1	B	C	-1
	(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	1	C	A	+2
	(iii) Degree of compliance with rules for processing and recording transactions	1	B	A	+1
<b>PI-21</b>	<b>Effectiveness of internal audit</b>			B+	
	(i) Coverage and quality of the internal audit function.	1	C	B	+1
	(ii) Frequency and distribution of reports	1	C	A	+2
	(iii) Extent of management response to internal audit findings.	1	C	B	+1
	<b>C(iii) Accounting, Recording and Reporting</b>				
<b>PI-22</b>	<b>Timeliness and regularity of accounts reconciliation</b>			NR	
	(i) Regularity of bank reconciliations	1	B	NR	-2
	(ii) Regularity of reconciliation and clearance of suspense accounts and advances.	1	B	B	0
<b>PI-23</b>	<b>Availability of information on resources received by</b>	3	D	D	0

	Indicator/Dimension	High Level PFM objective	Core PFM Functionality Score	Jamaica 2016 Score	Core Functionality Gap 2016
	<b>service delivery units</b>				
<b>PI-24</b>	<b>Quality and timeliness of in-year budget reports</b>			D+	
	(i) Scope of reports in terms of coverage and compatibility with budget estimates	1	B	B	0
	(ii) Timeliness of the issue of reports	1	B	D	-2
	(iii) Quality of information	1	C	C	0
<b>PI-25</b>	<b>Quality and timeliness of annual financial statements</b>			D+	
	(i) Completeness of the financial statements	1	C	D	-1
	(ii) Timeliness of submission of the financial statements	1	A	D	-3
	(iii) Accounting standards used	1	C	C	0
	<b>C(iv) External Scrutiny and Audit</b>				
<b>PI-26</b>	<b>Scope, nature and follow-up of external audit</b>			B+	
	(i) Scope/nature of audit performed (incl. adherence to auditing standards).	1	C	A	+2
	(ii) Timeliness of submission of audit reports to legislature.	1	B	B	0
	(iii) Evidence of follow up on audit recommendations.	1	B	A	+1
<b>PI-27</b>	<b>Legislative scrutiny of the annual budget law</b>			C+	
	(i) Scope of the legislature's scrutiny.	1	B	B	0
	(ii) Extent to which the legislature's procedures are well-established and respected.	1	B	B	0
	(iii) Adequacy of time for the legislature to provide a response to budget proposals	1	B/C <sup>14</sup>	C	0
	(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.	1	B	B	0
<b>PI-28</b>	<b>Legislative scrutiny of external audit reports</b>			B+	
	(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	1	C	C	0
	(ii) Extent of hearings on key findings undertaken by the legislature.	1	C	A	+2
	(iii) Issuance of recommended actions by the legislature and implementation by the executive.	1	B	A	+1

In the PFM Objective column:

<sup>14</sup> The requirements for B and C scores are identical for this indicator dimension.

- Objective “1” concerns functions aimed at **ensuring financial compliance**;
- Indicator “1F” concerns functions specifically aimed at ensuring that such **controls are equitable and fair**;
- Objective “2” concerns some functions **required for a credible budget**, in addition to the functions related to objective “1”;
- Objective “3” concerns the dimensions of PEFA indicators aimed at **ensuring allocation of resources** in conformity with policy objectives or **efficient public service delivery**. These functions are not included in *the core PFM functions*, except when they also meet financial compliance objectives;
- Objective “4” concerns the dimensions of PEFA indicators dealing with **intergovernmental fiscal relations** (PI-8- and PI-9-(ii)). Whether these functions should be included in the group of core PFM functions or not depends on the degree of decentralisation of the country and the size of sub-national governments. The core PFM function corresponds to a score “A” for PI-8-(i) and PI-8-(ii) and to a score “B” for PI-9-(ii) when sub-national expenditures account for more than 10% of general government expenditures. In Jamaica the share is lower.