

# Public Financial Management Reform: The Case of Jamaica

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# Presentation Outline

- **Historical Background to Jamaica's PFM**
- **Government's Approach to Accrual Accounting**
- **Implementation of a Fiscal Responsibility Framework**
- **General Public Financial Management Reform**
- **Developments in PFM Reform**
- **The Role of the AuGD in PFM**

# Jamaica's Economic Landscape



# Government's Initial Approach to Accrual Accounting

- ▶ Government signals intention to implement accrual accounting in 2002
- ▶ Phased implementation over a 10-year period from 2002–2010

# Accrual Accounting Adoption Challenges

- ▶ No Stakeholder Buy-In
- ▶ No Explicit Support of Parliament , Minister of Finance and Financial Secretary
- ▶ Lack of Capacity at Accountant General's Department
- ▶ Leap Frog Strategy

# Government's Revised Approach to Accrual Accounting

- ▶ Planned implementation over a 10– year period;
- ▶ Six stage approach
- ▶ Year 1: preparation of cash position and comparative budget statements for selected entities
- ▶ Full implementation over next 5 years

# Fiscal Responsibility Framework

- ▶ Significant Step Towards Improving Public Financial Management...

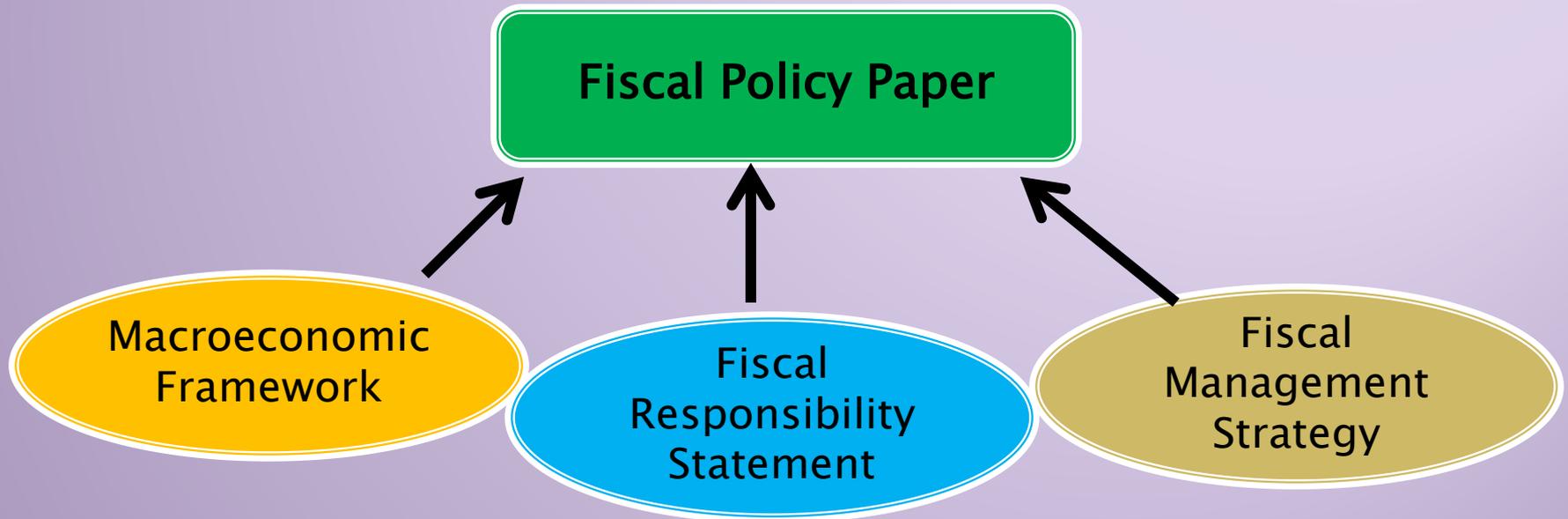


# Current Fiscal Targets

- ▶ To attain a fiscal balance, as a per cent of GDP, by March 31, 2018 that is consistent with the achievement of the March 31, 2026 Debt target
- ▶ To reduce the ratio of Total Public Debt to GDP 60 per cent or less by March 31, 2026
- ▶ To reduce the ratio of Public Sector Wages to GDP to 9 per cent or less by March 31, 2016

# Enacting of FAA Audit Act (FRF)

Upon presentation of the annual Estimates of Revenue and Expenditure in February, the Minister of Finance is required to lay before Parliament, a Fiscal Policy Paper (FPP)



# Auditor General's Responsibilities under the FAA

**Houses of Parliament**

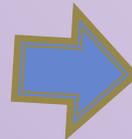


**Reasonableness  
of Reasons for  
Deviations**

**Certify Public  
Bodies and  
Evaluate PPP's**

**Validate  
Compliance  
with Specified  
Criteria for  
Prudent Fiscal  
Management**

**Auditor General**



# PFM Reform: Challenges

- No Action Plan
- No Legislative Framework
- Poor Sequencing & Integration of Reforms

- Administrative Support of Reforms (procurement) lacking
- Training for Legislation lacking
- PFM Legal Framework Reform (civil service) lacking

# Jamaica's PEFA Assessment 2012 – Weaknesses identified

## Budget Credibility & Service Delivery

- Unreported Government Operations
- Inadequate legal Framework
- Unreliable & untimely data
- Nexus between AuGD & PAC not functioning effectively;
- Weak payroll & procurement

## Comprehensiveness & Transparency

- Variations between approved budget & MDA expenditures
- Disconnect between budget cuts & service levels
- No Link between long-term sectoral planning & macroeconomic targets

# PFM Reform Scorecard

Significant gains since 2013 to date:

Policy -Based Planning and  
Budgeting

Improved Tax and Customs  
Administration

Upgrades to the FinMan and CTMS

Improved Accounting Data  
Management and Budget Execution

# RAP II Priority Areas for 2015–2017

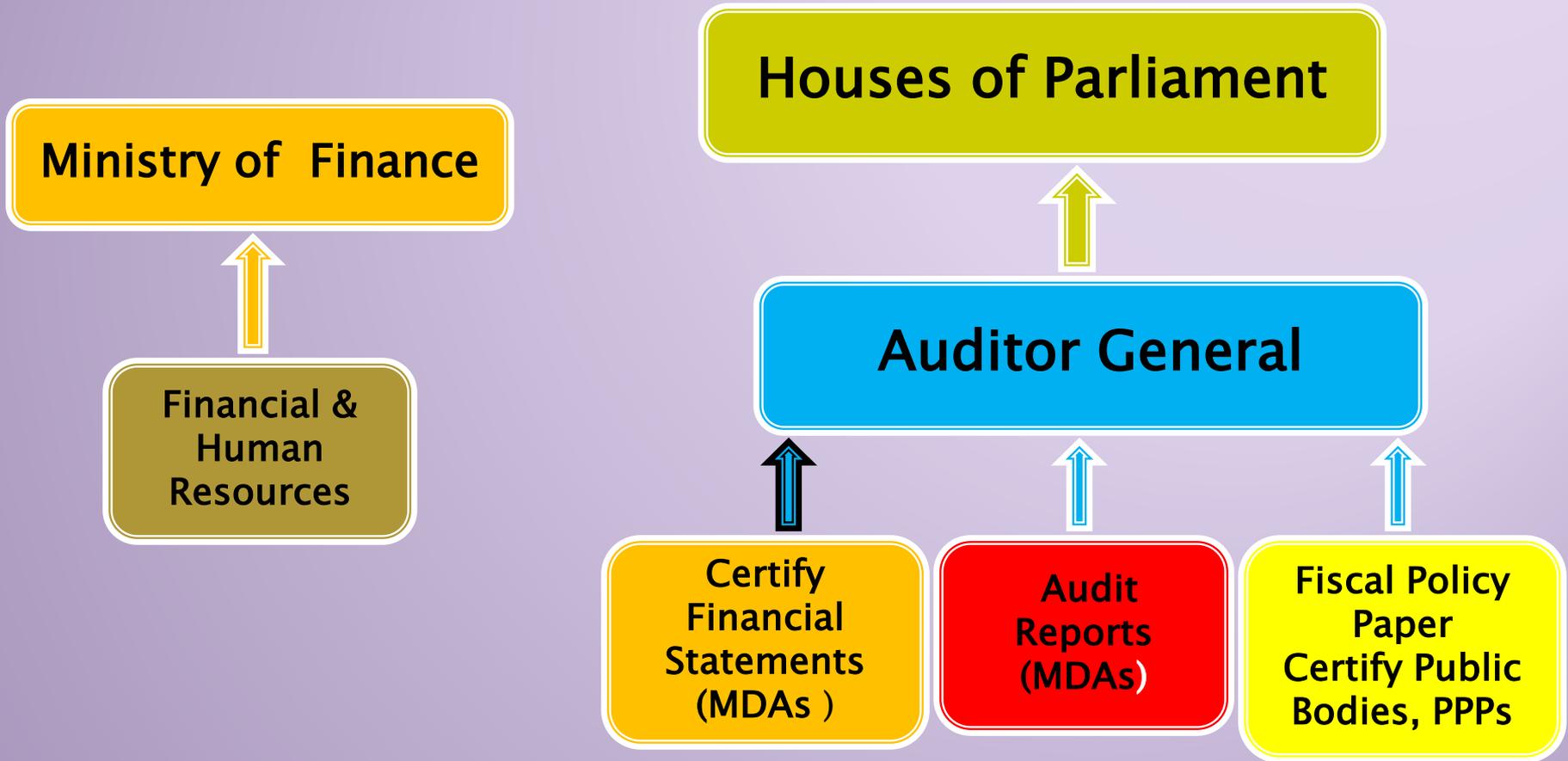
Build on  
the  
Momentum  
of RAP1 &  
Apply  
Lessons  
Learned

Adopt a  
Results-  
focussed  
Approach

Improve  
Programme  
Governance

Determine  
the  
allocation,  
alignment &  
mobilisation  
of Human &  
Material  
Resources

# Auditor General's Responsibilities under the Constitution & FAA Act



# AuGD's Motivation for PFM Reform

Inadequate budget controls; frequent tabling of supplementary budgets

Dwindling public finances; increased risks to public programmes

Greater demand for Public Sector Accountability by Citizenry

Limitations of regulatory and compliance audits

Inadequate budget controls; frequent tabling of supplementary budgets

# AuGD's PFM Reform Process

- ▶ The Department was restructured to reflect increased focus on Performance & Financial Statements Audits
- ▶ Staff structure diversified to include Economists enabling an expansion of the scope of Performance Audits types
- ▶ Strategies adopted to address financial statements arrear

# AuGD's PFM Reform

- Inclusion of Financial Statement Analyses in work programme – 5year analyses of key ratios; user friendly report provided to Parliament which:
  - Enables the PAC to call heads of the Agencies before the Committee to discuss financial performance
  - Aims to improve transparency & accountability of MDAs
  - Tabling of audit reports after completion instead of confining to the AuGD Annual Report



**THANK YOU**  
for your Attention