



Following the Money

Transparency and
Oversight in the
Government Budget
Process in Jamaica



Following the Money: Transparency and Oversight in the Government Budget Process in Jamaica

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International Budget Partnership.

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Table of CONTENTS

1.	Introduction	vi
2.	Transparency	2
3.	Participation and Oversight	10
4.	Conclusion and Recommendations	14
	Reference	20

List of Figures

Figure 1.	Budget Transparency Score	9
Figure 2.	Public Participation in the Budget Process	11
Figure 3.	Global and OECD Averages	12



1

Introduction

Of the 117 countries assessed by the Open Budget Survey in 2019, the vast majority, Jamaica included, **FAILED TO REACH THE MINIMUM THRESHOLD FOR ADEQUATE BUDGET TRANSPARENCY, PUBLIC PARTICIPATION, AND OVERSIGHT.**



In 2019, for the first time the Government of Jamaica (GOJ) was assessed for how much it facilitates public access to budget information, and how many formal opportunities it provides for the public to participate in the national budget process. The Open Budget Survey (OBS), the world's only independent, comparative, and objective research instrument for this purpose, was used to do the assessment. The OBS also examined the role of Jamaica's budget oversight institutions, such as the Parliament and Auditor General's Department (AGD), in the budget process. Based on these indicators, the OBS provided an assessment of Jamaican citizens' ability to engage the budget process and provide relevant feedback to the GOJ about budget decisions. Of the 117 countries assessed by the OBS in 2019, the vast majority, Jamaica includ-

ed, failed to reach the minimum threshold for adequate budget transparency, public participation, and oversight.

The GOJ's budgetary decisions – what taxes to levy, how much debt to take on, and what services to provide – affect the wellbeing of all Jamaicans, especially the most marginalized, and their opportunities to fully participate in and benefit from the economy. In a participatory democracy, which Jamaica aspires to be, the state informs and engages the public on these decisions that ultimately affect their livelihoods. Jamaica's poor assessment suggests that the state of Jamaica's participatory democracy is wanting.

The assessment of the government's performance was based on 145 characteristics of the budget process and information

availability surrounding it, first conducted in 2019, and has been updated to reflect its current performance in 2020. The focus of the analysis is on eight key budget documents – Pre-budget Statement (PBS,) Executive Budget's Proposal (EBP,) Enacted Budget (EB,) Citizens Budget (CB,) In-year Reports, Mid-year Review, Year-end Report, and Audit Report. The analysis also examines channels for the public to participate in the budget process, as well as the roles of the legislature and the AGD. This report will examine the performance of Jamaica's government in the areas of transparency, public participation, and budget oversight, and place that performance in the context of other countries. Out of this exercise will come recommendations on how to address the identified weak areas.

The assessment of the government's performance was based on 145 characteristics of the budget process and information availability surrounding it.



For the first time the Government of Jamaica was assessed for how much it facilitates public access to budget information, and how many formal opportunities it provides for the public to participate in the national budget process.



Photo credit: Jamaica Information Service

2 Transparency

Of the **8** key budget documents in Jamaica,
**7 WERE PUBLISHED IN A TIMELY MANNER ON
THE WEBSITE OF THE MINISTRY.**



On the transparency of the budget process and fiscal accounting, Jamaica scores just above the average and ranks just above the median (the middle-ranked country) at 57th out of the 117 countries assessed. While above the global average, Jamaica's score is well below those in the Organization for Economic Co-operation and Development (OECD), a club of mostly rich countries, which therefore represent the benchmark Jamaica should seek to emulate. In measuring the GOJ's transparency in the budget process, the survey considers the public availability of documents that demystify how public resources are raised and spent, and the comprehensiveness of the information presented in these documents. A document is considered publicly available if it is published on the website of the Ministry of Finance and the Public Service (MOF) in a timely manner, and is free of charge for all citizens. Comprehensive budget documents should provide a clear disaggregation of expenditure classifications (who spends the money, what is the purpose, and what is the specific nature of the expenditure,) revenue estimates, debt accumulation, and macroeconomic assumptions for a multi-year period.

Of the eight key budget documents in Jamaica, seven were published in a timely manner on the website of the ministry, though all seven can be accessed free of

cost. The Pre-budget statement, which presents the MOF's economic and fiscal policy plan for the forthcoming budget year, is a document produced only for internal usage. Thus, it is not considered to be publicly available. Although the citizen's budget (The Citizen's Guide to the Budget,) the non-technical version of the GOJ's planned budget, was not produced for the 2018/2019 fiscal year (the year initially reviewed), the Ministry of Finance has since begun publishing a Citizens' Budget. Similarly, two of the supporting documents for the budget proposal (Revenue Estimates and Financial Statements and Jamaica Public Bodies: Estimates for Revenues and Expenditures) were published behind schedule for the 2018/2019 fiscal year. However, now, they are made available on time. As such, the budget proposal has received a higher score for its public availability.

The Ministry of Finance's budget proposal, which is the government's statement of fiscal intent, detailing the sources of revenues, allocations to ministries, proposed policy changes, and other pertinent information used to understand the country's fiscal affairs, was sufficiently detailed in some of the core budget information presented. Jamaica's budget proposal is not contained in a single document but rather is spread over seven documents: Estimates of Expenditure, Public Sector Consolidated Estimates of Expenditure, Fiscal Policy Pa-

per, Medium-Term Debt Strategy, Opening Budget Debate Presentation, Revenue Estimates and Financial Statements, and Jamaica Public Bodies: Estimates for Revenues and Expenditures. The content of these was comprehensive in outlining the allocations to the various MDAs, the programmatic purpose, and the nature of expenditures in a consolidated multi-year period. Estimates related to the GOJ's borrowing and debt (domestic and external,) donor assistance (both financial and in-kind,) and estimates of transfers between public corporations were clearly delineated. Individual sources of tax and non-tax revenue (multi-year period,) the presentation of extra-budgetary information, and estimates of expenditure for policies directed at the most vulnerable population, such as the PATH programme, were also accounted for.

Other core budget information that should have been provided in the documents making up the budget proposal were unaccounted for due to supporting documents being limited in scope. Limited information on macroeconomic forecasts – such as nominal Gross Domestic Product (GDP) level, inflation rate, real GDP growth, and the interest rates in prevailing markets – and the composition of the GOJ's total debt for the year under review were provided. Although the prevailing market interest rate was deemed sensitive information by the gov-

On the transparency of the budget process and fiscal accounting, Jamaica scores just above the global average and ranks above the median (the middle-ranked country) at 57th out of the 117 countries.

ernment, other elements can improve on their scope

Not evidenced in the budget proposal were expenditure arrears, financial and non-financial assets owned by the government, sensitivity analysis of the impact of macroeconomic assumptions, and a budget calendar. Also, an analysis of the possible impact of new policy proposals on expenditures and revenues, as distinct from the existing policies, was lacking. Typically, these new proposals are accompanied by changes in levels of expenditures or revenues, both of which will have consequences for at least some segments of the population. Therefore, the budget proposal should present sufficient analysis of new policies and their budgetary impact. Consequently, that document garnered a score of 57 out of 100, a five-point improvement in comparison to 2019.

Similarly, the enacted budget – The Appropriations Act, 2019, for the fiscal year that OBS examined – which legally apportions the sums of monies to the relevant ministries, departments, and agencies (MDAs,) provides insufficient budget

With insufficiently disaggregated content, the Appropriations Act, 2019, is inadequate for monitoring the execution phase of the GOJ's budget.

content. According to OBS guidelines, the Appropriations Act should be a succinct document with baseline information for analyses conducted during any fiscal year, such as revenue and expenditure estimates, and GOJ's debt accumulation. In contrast, the Act provides only an outline of expenditure estimates, disaggregated only by administrative units (who spends the money). There was no disaggregation by function (what it is being spent for)

nor was there an economic disaggregation (what is purchased). Also absent were revenue estimates and core debt information such as interest rates on the debt and total debt outstanding at year end, were excluded. With insufficiently disaggregated content, the Appropriation Act, 2019, is inadequate for monitoring the execution phase of the GOJ's budget.

In addition to issuing monthly reviews, international best practice consists of a detailed explanation on the state of the budget around half-way into the budget year. Generically known as the mid-year review, this document should assess the state of the economy relative to the initial macroeconomic forecast, and update the economic forecast for the remainder of the budget year. It should also provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to-date, and revised projections for the full fiscal year. Jamaica's mid-year review is the Fiscal Policy Paper, Interim Report.



The budget
proposal garnered
a score of only
57 out of 100
(Limited content).





Presented in this Interim Report are the estimates for the macroeconomic forecast and an explanation for some of the differences as regards nominal GDP and inflation, between the original and updated forecasts. Updated estimates of revenue and expenditure, and the GOJ's borrowing and debt composition, were also included. Unaccounted for, and thereby affecting the comprehensiveness of the Interim Report, are expenditure estimates disaggregated by purpose and nature of the expenditure, actual versus original allocations to individual programmes, and individual sources of revenue, such as Value-Added Tax (VAT) and income tax, for the remainder of the budget year. Even though this document was scored 56 out of 100, indicating limited content, it was four points shy of being graded to contain adequate information.

As much as 30 points short of being scored as having "sufficient" content is what constitutes the government's year-end report, a key accountability document. This report ought to cover all of the major items included in the proposed budget and to explain the differences between the original estimates (as amended by the legislature during the year) and the actual outcomes for expenditure, revenue, debt, and the macroeconomic assumptions. It should also review non-financial performance information for the budget year.

The year-end information (which is actually included as a previous-year overview in the same Interim Report) was less comprehensive in presenting an overview of the differences between original estimates of revenue, expenditure, debt, and macroeconomic forecasts, and their actual outcomes in the previous budget year. There were estimates of the differences between enacted and actual revenue and expenditure for the full year, and narratives explaining them. While revenue estimates were outlined by tax and non-tax categories, the expenditure accounts were disaggregated only by economic classification (what it was spent on), and excluded which agency spent the money and the purpose of expenditure. The central government's total debt burden at the end of the previous budget year, interest rates on the debt, and maturity profile of govern-

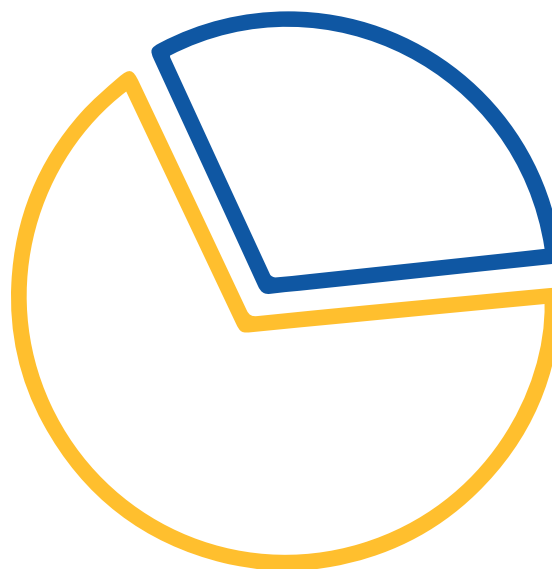
ment's borrowing and debt were absent from the report. Furthermore, with no macroeconomic assumptions, forecasts or actual outcomes, no extra-budgetary allocations, and no record of the GOJ's financial statement, for the previous year, the Interim Report previous-year coverage fell well-short of the required comprehensiveness, scoring only 31 out of 100.

The Audit Report evaluates the soundness and completeness of the government's year-end accounts and the government's adherence to existing laws and procedures; it is compiled by the Auditor General's Department (AGD.) The AGD, as Jamaica's supreme audit institution, is responsible for stewarding the GOJ's use of public funds by producing financial, compliance, and performance audits of final accounts. Financial audits determine if the GOJ's financial information is accurate and is presented in accordance with the financial reporting and regulatory framework. Compliance and performance audits examine the extent to which relevant regulations and procedures are followed, and also examine adherence to the normal principles of efficiency.

Within the AGD's mandate, approximately 80 percent of the central government's budget was audited – six performance audits, six special audits, 17 compliance audits, and 358 financial audits, among other types. Notwithstanding, the Audit Report was graded low for comprehensiveness. The assessment of extra-budgetary (public bodies) auditing revealed a stark contrast to that of the central government's budget. Less than one third of public bodies' expenditure, within the AGD's mandate, was audited. Although

The Fiscal Policy Interim Report previous-year coverage fell well short of the required comprehensiveness.

Less than one third of public bodies' expenditure, within the AGD's mandate, was audited during the year.



these funds are technically outside the budget, they are governmental in nature and so should be subject to the same auditing requirements. Further, given the AGD's vital role in holding the govern-

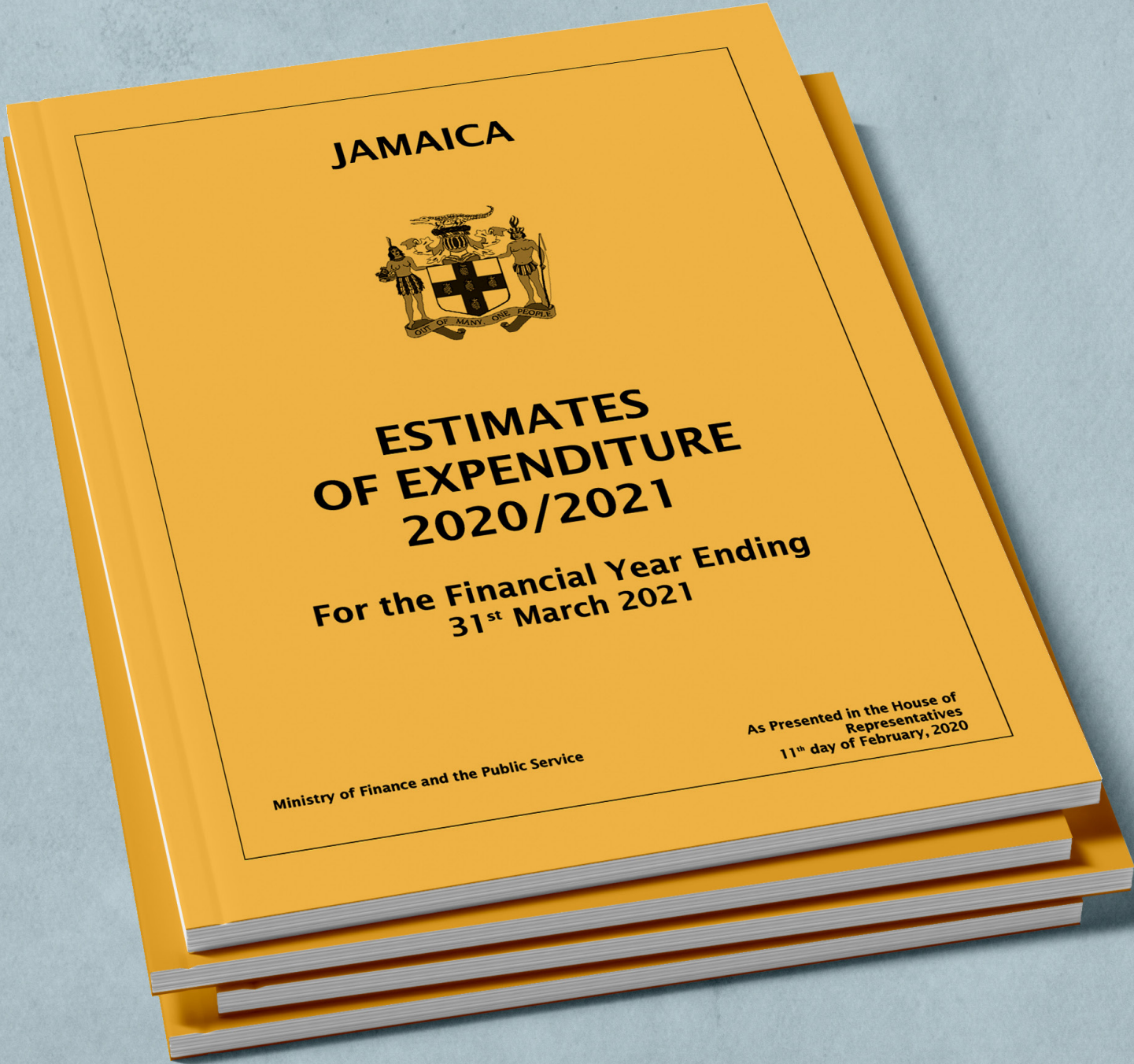
ment accountable, audit reports should account for measures taken by the government to address recommendations. In this regard, there was no information to advise the public of these actions. As

such, the Audit Report scored only 38 out of 100 for comprehensiveness.

SCORECARD

■ Pre-budget statement (Budget Circular)	0
■ Budget proposal	57
■ Enacted budget (Appropriations Act)	11
■ Citizens budget	33
■ In-year review (Central Government Operations Table)	63
■ Mid-year report (Fiscal Policy Paper Interim Report)	56
■ Year-end report (Central Government Operations Table)	31
■ Audit report	38

■ = not produced; ■ = published late or not online; ■ = available freely to the public; [#] = score out of 100.



JAMAICA



**ESTIMATES
OF EXPENDITURE
2020/2021**

**For the Financial Year Ending
31st March 2021**

Ministry of Finance and the Public Service

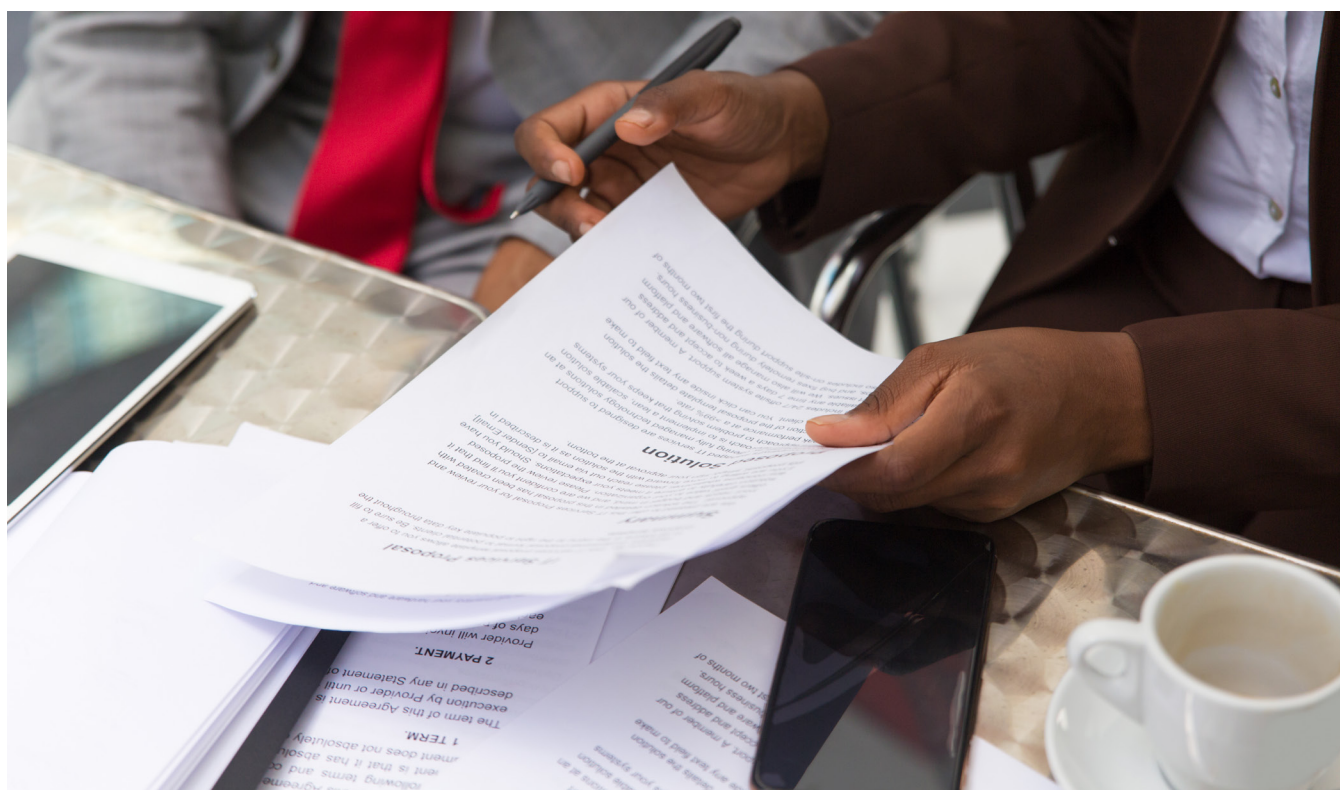
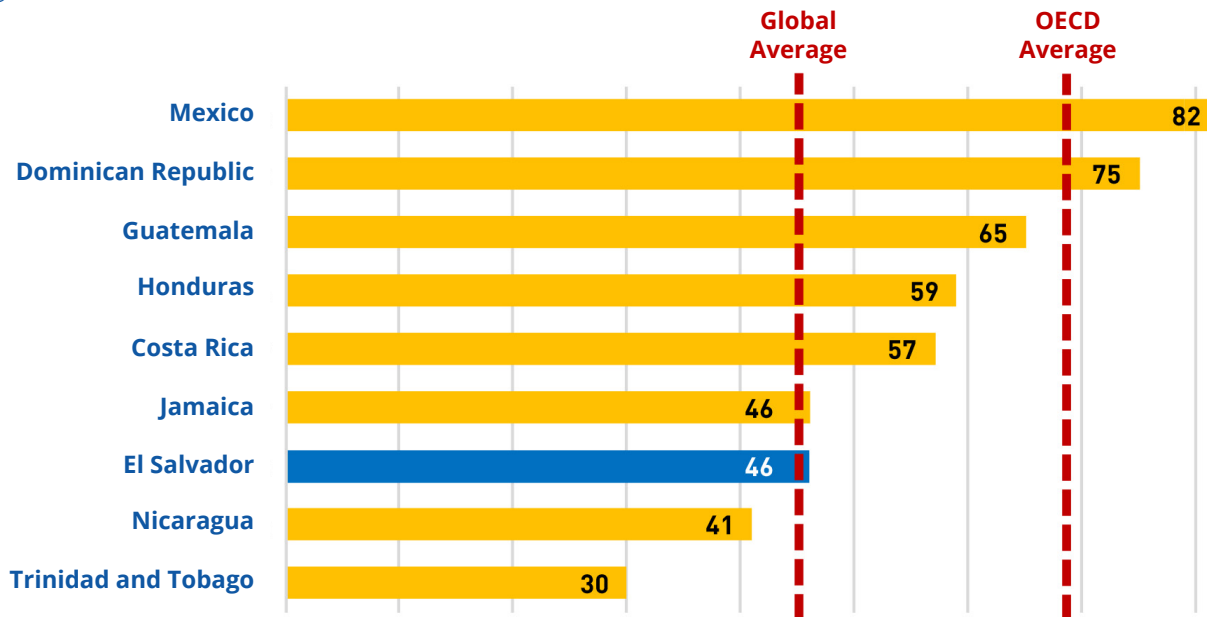
**As Presented in the House of
Representatives
11th day of February, 2020**

Seven of eight budget components – the citizen’s budget, the budget proposal, The Appropriations Act, The Central Government’s Operation Tables, the Fiscal Policy Paper Interim Report (comprising two budget components,) and the Auditor General’s Department Annual Audit Report – were published on the website of the Ministry of Finance on time and free of cost to citizens. Accordingly, they were

deemed publicly available. Complementing the public availability criteria is the comprehensiveness of budget documents as each document must first be considered publicly available before its contents can be assessed for thoroughness. Of these, only the Central Government’s Operation Tables received a score of 63 out of 100, indicating that the content was adequate to inform public debate on

the budget. The least comprehensive document, scoring 11 out of 100, was the Appropriations Act, 2019. The budget proposal, Fiscal Policy Paper Interim Report, and the AGD’s Audit Report, provided limited content that could inform public debate. In averaging these scores, Jamaica received a budget transparency score of 46 out of 100, placing it above the global average (Figure 1.)

Figure 1

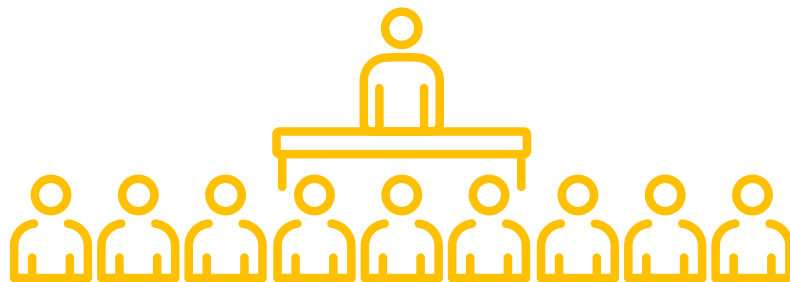




3

Participation and Oversight

In Jamaica, the Ministry of Finance, whether during the formulation or implementation phase of the budget, **DOES NOT PROVIDE ANY MECHANISM FOR PUBLIC PARTICIPATION.**



Public Participation

Providing access to comprehensive budget documents is only the first step in promoting open budgets.

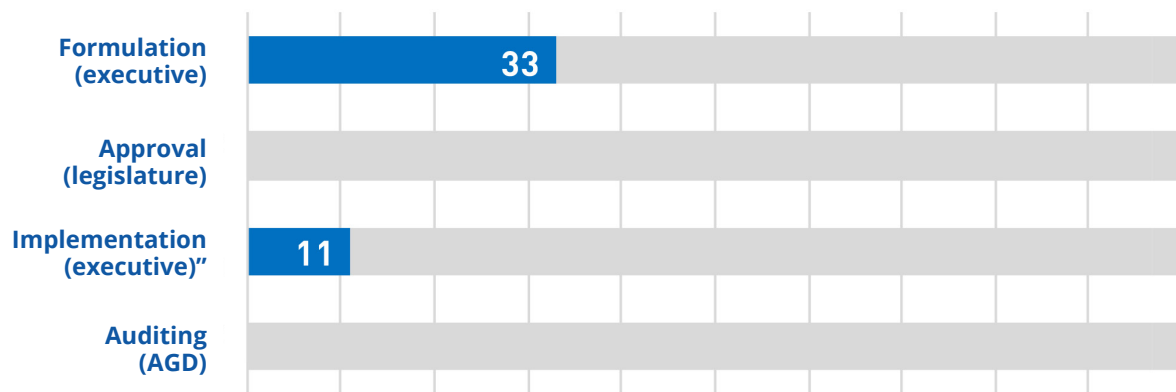
Public participation is an important component, and opportunities for this must be provided by the executive (MOF), the legislature (the Parliament,) and the supreme audit institution. In Jamaica, the MOF, whether during the formulation or implementation phase of the budget, does not provide any mechanism for public participation. Although there are parliamentary public hearings on the budget, where citizens can attend, no testimony from the public is accommodat-

ed during these hearings, and there is no other mechanism via which public contributions are received. The AGD is the only institution that provides opportunities for the public to suggest issues or topics to be included in its audit programme. This is done through focus groups and anonymous letters (Figure 2.) Evidently, the extent of opportunities provided for public participation in the budget process is very limited. Consequently, Jamaica has a public participation score of only seven out of 100, below even the modest global and OECD averages of 14 and 23, respectively (Figure 3).



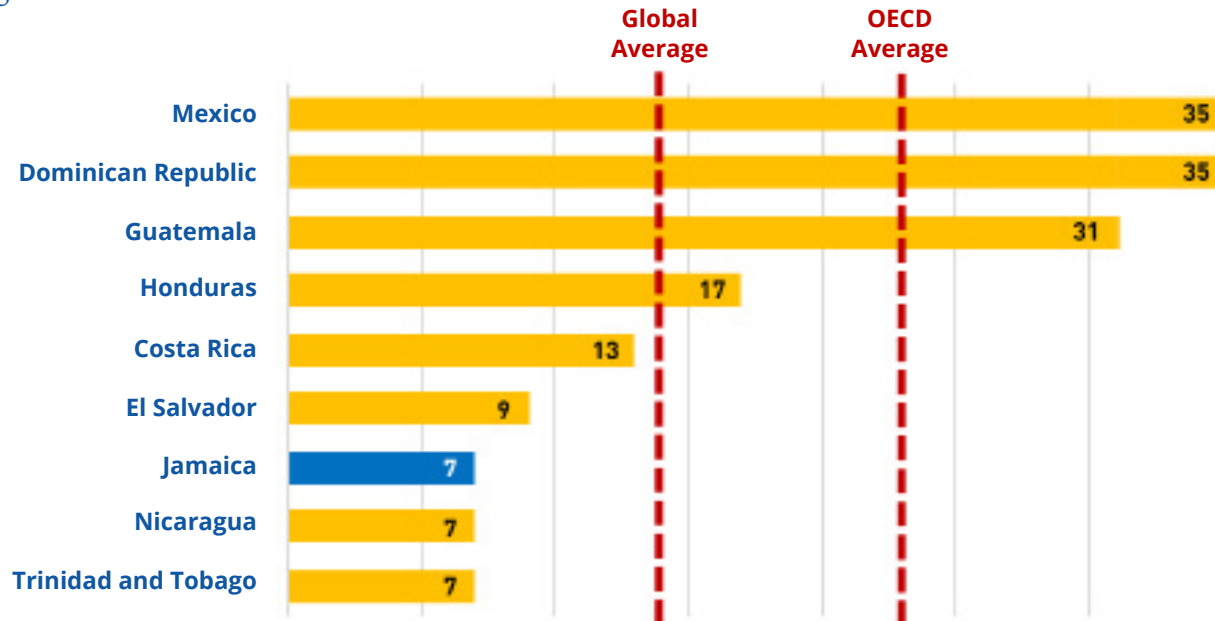
**JAMAICA HAS A
PUBLIC PARTICIPATION
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Figure 2



The Auditor General's Department is the only institution that provides opportunities for the public to suggest issues or topics to be included in its audit programme. This is done through focus groups and anonymous letters.

Figure 3



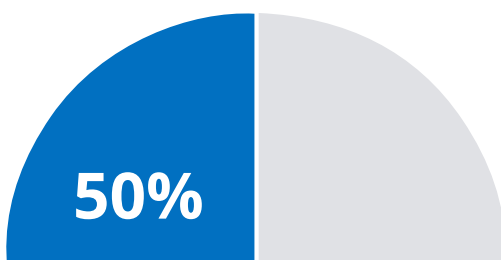
Budget Oversight

Part of the role of the Parliament and the AGD is to strengthen the integrity of the budget process, and provide oversight during the approval, implementation, and auditing stages. The Parliament is the chief institution responsible for approv-

ing the government's proposed budget. While no specialized budget committee within Parliament reviews the budget during the approval phase, the AGD is authorized by law to review the Fiscal Policy Paper, a supporting document to the budget proposal, and to submit a report of the findings and recommendations to the House of Representatives. Consistent

with international best practice, the Parliament reviews the audit report. Ideally, that review should be done within three months of its availability, however, the review was most recently done more than six months after the Auditor General's report was published. Further, the parliament's review should be published, which is not done in Jamaica.

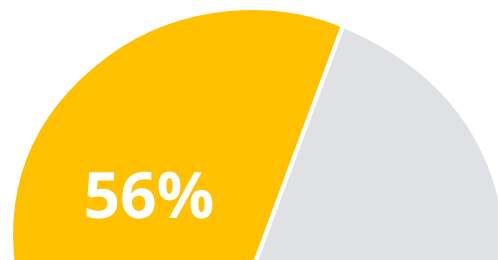
LEGISLATIVE OVERSIGHT



During the implementation phase, the benchmark is that the legislature examines in-year reports and publishes a report with the findings at least three times during the budget year. The Public Administration and Appropriation Committee is the oversight arm of Jamaica's Parliament that provides oversight on the execution of the enacted budget. Although findings and recommendations were published in the form of video presentations, the number of occasions was less than three times for the year, and so was inadequate to meet the minimum re-

quirement for effective oversight. In this phase, MDAs may also need to transfer funds between ministries, and spend more or less than allotted amounts. In each of these cases, permission must be granted from the Parliament, except for spending less than the original allocation. Although underspending rarely happens in Jamaica, the absence of this review process is still a fault since there should be accountability even for the underuse of public resources.

AUDIT OVERSIGHT



The parliament's responsibility for performing fiscal oversight is hampered by the absence of a dedicated, competent agency to carry out any technical analysis on its behalf. Independent fiscal institutions (IFIs) that report to the parliament are becoming increasingly popular in other countries as a means of providing parliaments with that support. Jamaica does not have such an institution, but the executive has floated the idea of setting up such a body. If established, it would greatly enhance the parliament's ability to carry out its fiscal oversight role.

The independence of the AGD from the executive branch of the government is also in alignment with good practice. The efficacy of the auditing phase is related to how freely the AGD can work, without threat of repercussions. In Jamaica, the Auditor General can be appointed and removed only by the head of the state, the Governor General, on the advice of the Prime Minister. And adequate resources are provided for her department to fulfill its mandate. Additionally, the scope of the power ascribed to the AGD is consistent with international best practice, as the Department has full discretion to decide which audits to undertake. Although not done annually, these audits are reviewed by an independent agency to ensure consistency and accuracy.



ADEQUATE RESOURCES ARE PROVIDED

for the Auditor General's Department

TO FULFILL ITS MANDATE.

Additionally, the scope of the power ascribed to the AGD is

CONSISTENT WITH INTERNATIONAL BEST PRACTICE.

Based on this review, the Parliament and the Auditor General's Department, together, provide some oversight during the

budget process. Parliamentary oversight thus scored 50 out of 100, while the AGD garnered 56 out of 100.





4 Conclusion and Recommendations

The broad conclusion for Jamaica is one of **MODERATE FISCAL OPENNESS.**



Conclusion

The public accounts belong to the public; the funds are administered by a government in trust for the citizens. Accordingly, citizens have a right of access to information on how public resources are raised and spent, of opportunities to contribute to policy decisions that affect their livelihoods and futures, and of assurance of robust oversight by independent well-informed legislatures and audit institutions. Having updated Jamaica's initial assessment in 2019, Jamaica has increased its transparency in the budget process – an average score of 46 out of 100 – by publishing The Citizen's Guide to the Budget, and the two supporting documents of the executive's budget proposal in a timely manner, and free of cost. Notwithstanding, this score still indicates limited transparency. Although the Pre-budget Statement was the only document still not publicly available, the inadequate content of the documents that were publicly available exacerbated the opaqueness of the budgetary process. The Appropriations Act, Jamaica's enacted budget, remains the least comprehensive of them.

As part of the budget process, formal and meaningful opportunities for the public to participate must be provided by the Ministry of Finance, the Auditor Gener-

al's Department, and the Parliament. Of these institutions, only the AGD provided occasions for the public to share their views through focus groups and anonymous letters. While the Parliament's budget debates are public, citizens are not able to actively participate.

During the approval and implementation phase of the budget process, the Parliament engaged in limited oversight, as evidenced in the time taken to review Audit Reports and in publishing findings and recommendations. Oversight was also apparent in the number of occasions, during the implementation phase, that the Public Administration and Appropri-

ations Committee examined in-year reports. While the AGD doesn't have complete independence from the executive branch of the government, full discretion is given to complete various audits for review by an independent agency.

The Government of Jamaica continues to make moderate progress toward openness. Although for the budget year under review, 2018/2019, there was no published version of the Citizen's Budget, the GOJ has since created and made publicly available the Citizen's Budget. Even though the Citizen's Budget was initially conceived as a simplified version of the budget proposal, good practice is



While the Government of Jamaica is just above the global average, **IT REMAINS SOME DISTANCE FROM GLOBAL BEST PRACTICE.**

The public accounts belong to the public; the funds are administered by a government in trust for the citizens. Accordingly, citizens have a right of access to information on how public resources are raised and spent.





Photo credit: Solar Head of State

now evolving and suggests that a “citizens” version of key budget documents should be produced during each of the phases of the budget cycle – formulation, implementation and review. This serves to inform citizens on the state of public financial management throughout the entire budget cycle. Citizens Budget published by the government covers only the formulation phase. It contains core information such as expenditure and revenue totals, main policy initiatives, and macroeconomic forecasts upon which the budget is based. However, it should also provide information on channels of communication for the citizenry to provide commentary.

Further towards openness, in October 2020, the government of Jamaica

launched its Public Investment Map platform that seeks to improve the transparency of public investment. This facility also seeks to increase citizens participation by allowing them to interact with various government entities on how projects are being executed, state their level of satisfaction with the execution, leave comments, and upload photos that allow for enhanced monitoring of the particular project.¹ However, the facility is limited only to the implementation the projects. It does not accommodate input at the stage of project proposals. According to the website, the platform is solely for tracking the progress of projects.² Further, while welcomed as a start, this addresses only the capital expenditure portion of the budget, which is less than a tenth of total spending by government. It

thereby excludes macroeconomic issues, revenue intake, administration, social spending, debt levels, and public services.

Taken together, the broad picture for Jamaica is one of improving but still only moderate transparency, participation, and oversight. Most elements of open fiscal governance, at each of the stages (formulation, implementation, and auditing) are in place. Although above the global average, the Government of Jamaica remains some distance from global best practice. More can be done, within the elements already in place, to provide more detailed and more comprehensive information and to improve accommodation for and communication with the general public.

1 Investment Map (publicinvestmentmap.gov.jm)

2 Frequently Asked Questions (FAQ): Can I make project proposals or apply for a job on a site here? Answer: This site is for the sole purpose of tracking the progress of projects and the information is used by the government, international donor agencies and allows for citizen participation. Investment Map (publicinvestmentmap.gov.jm)

Recommendations

The following actions by Government of Jamaica will improve the openness of the budget process.

Transparency



1. Publish the Budget Circular (the government's pre-budget statement,) presently only an internally circulated document, and do so at least one month before the actual budget proposal is submitted to Parliament.

2. Provide in The Citizen's Guide to the Budget information on channels of communication for the citizenry to provide commentary.



3. Provide more detail and disaggregation in The Appropriation Act by including estimates of expenditure which are disaggregated by who spends the funds, the purpose of spending, and the nature of the expenditure. Estimates of revenue (categorized by tax and non-tax) and the government's debt composition (net new borrowing for budget year, total debt outstanding and interest payments) should also be included.

4. Increase the comprehensiveness of the Fiscal Policy Paper Interim Report, by including the central government's total debt burden at the end of the previous budget year, interest rates on the debt, and the maturity profile of government's debt. This document should also outline forecasts and actual outcomes of macroeconomic assumptions (nominal and real GDP and inflation,) extra-budgetary allocations, and a record of the GOJ's financial statement for the budget year ending.



Participation



5. Develop channels during parliamentary budget debates for citizens to share contributions and questions on the budget. This can be via social media, physically at the debates, and through a dedicated web portal.

Oversight

6. Increase the frequency with which Parliament examines the execution of the budget, and publishes, in a timely manner, a report with findings and recommendations.



7. Review the Audit Reports on the budget within three months of it being publicly available, and publish, in a timely manner, a report with findings and recommendations.

8. Establish the proposed independent fiscal institution that will report to the parliament, and whose job it will be to analyse the government proposals for expenditure and taxation along with their implications for fiscal sustainability and the wider economy.



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Notes

Following the Money Transparency and Oversight in the Government Budget Process in Jamaica

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