

## **JAMP**

### **THE INDEPENDENT FISCAL COMMISSION BILL SIMPLIFIED**

#### ✓ **How will the Independent Financial Commission work?**

The Commission will carry the name “**Independent Fiscal Commission**” (the “IFC”). The functions of the IFC will be carried out by a Fiscal Commissioner (the “Commissioner”). In the execution of duties, the Commissioner is duty bound to give unbiased, independent opinion on the soundness and sustainability of Jamaica’s fiscal positions and policies through the preparation and publication of periodic reports for the benefit of the public. Given the nature of function, the Commissioner will have statutory protection in terms of period of service and will be of a non-partisan status. In other words, in carrying out functions under the IFCA, the Commissioner will not be subject to the direction or control of any person or authority. The appointment of the Commissioner is made by the Governor-General with the participation of both the Prime Minister and the Opposition Leader. Equally, the IFCA gives allowance for the employment of staff as may be necessary to the office of the Commissioner in carrying out public duties.

#### ✓ **Why is the Independent Fiscal Commission needed?**

Currently, under the Financial Administration and Audit Act, the Auditor-General undertakes the duty to examine the fiscal policy and fiscal management of the government and is tasked to prepare and publish reports upon examination. Those responsibilities will be transferred to the IFC for the purpose of fostering and promoting sound fiscal policy and fiscal management to sustain fiscal discipline. Fiscal policy refers to government spending such as (fixing roads, debushing, supplying hospitals, schools, the PATH programme, etc.) and tax policies (such as adding new taxes or reducing existing taxes) in order to influence the economy. Fiscal management is the process of planning and coordinating fiscal policy.

✓ **Summary of the Bill**

The Bill (referred to herein and called “IFCA”) consists of 19 sections, 3 schedules and a memorandum of objects and reasons. The essence of the IFCA is to establish an office with the main objective of assessing the financial and economic performance of the Government and to keep the public informed of the said assessment. The office will be headed by the Commissioner and the IFCA sets out the nature, functions, duties and responsibilities of the Commissioner and the office.

✓ **What are the requirements to become a Commissioner?**

To be appointed as Commissioner, the candidate must possess a high level of integrity, and the knowledge, expertise, and experience in public finance, macroeconomic forecasting and fiscal policy management and assessment. Further requirements are that the Commissioner must:

- a) be over 18 years old; and
- b) not be a current Senator, Member of Parliament or a Council of a Municipal Corporation, City Municipality or Town Municipality and must not have held those said offices within the last 5 years prior to date of appointment.
- c) not be a bankrupt; or
- d) not have been convicted of any offence involving dishonesty or any act/behavior that gravely violates the sentiment or accepted standard of the community.

✓ **What is the Commissioner’s tenure and how can they be removed from the post?**

The Commissioner’s independence is supported by the fact that the term in office is fixed for 7 years without the possibility of reappointment. Further, the Commissioner can only be removed or suspended from office by the Governor General provided that the mechanism set out in the IFCA are followed.

✓ **Will the Independent Fiscal Commission really be independent?**

In addition, the proposed IFCA states that the Commissioner is independent to the extent that the Commissioner will “*not be subject to the direction or control of any other person or authority in carrying out of the functions of the Fiscal Commission*” (see Section 13 of the IFCA). Since the Commissioner’s office requires government funding, it may be subject to some degree of control by Parliament as Parliament is responsible for the allocation of funds to the IFC and the Minister may request audited statements of accounts and estimates of expenditure for the upcoming financial year, to be submitted for approval. Equally though, with reference to the provisions of section 13 of the FCA, the terms and conditions of staff employed to Commissioner is subject to the approval of a commission of parliament established by section 8 of the IFCA. And finally, Parliament may at any time require the Commissioner to submit a report in relation to the responsibilities of the Fiscal Commission (see section 16 of the IFCA).

✓ **How will the Commissioner be paid?**

The Commissioner’s salary will be paid from the Consolidated Fund. Additionally, the post of the Commissioner is pensionable. However, the salary of the Commissioner will be based on the terms of the contract as approved by the Governor-General based on the recommendation made by a commission of Parliament.

✓ **Can the Commissioner hire staff?**

To effectively carry out the functions under the proposed IFCA, the Commissioner is granted the power to employ staff and may require its staff to carry out functions otherwise assigned to the Commissioner under the IFCA.

✓ **What Reports are the IFC required to produce and how often?**

A critical function of the Commissioner is the preparation and disclosure of two (2) documents – (i) an Economic and Fiscal Assessment Report; and (ii) a Statement of Fiscal Performance. These documents are to be prepared and published at minimum twice per year. The Auditor General now carries out this function under the Financial Administration and Audit Act (the “FAAA”) but that will change with the passing of the

IFCA since the proposed IFCA amends the FAAA to substitute the Auditor General for the Commissioner in respect of Part VII of the FAAA only (see section 19 and the Third Schedule of the proposed IFCA).

✓ **The Economic and Fiscal Assessment Report**

The Economic and Fiscal Assessment Report will contain an appraisal of Jamaica's macroeconomic and fiscal forecast, which is an assessment of Jamaica's future financial performance and productivity. The focus of the report will therefore include an evaluation of future changes in Jamaica's economy such as unemployment, growth rate, gross domestic product, and inflation-, medium- and long-term debt sustainability and an indication as to whether the Government's announced policies are consistent with the fiscal rules, principles and targets set out in Part VII of the FAAA.

For ease of reference, the fiscal rules, principles, and targets as set out in Part VII of the FAAA (summarized) are that the Government will (barring any public disaster, public emergency, severe economic contraction, or financial sector crisis):

1. maintain or improve fiscal balance;
2. reduce the public debt ratio to 60% or less of the gross domestic product by year ending 31 March 2026 and thereafter maintaining or improving the public debt ratio;
3. maintain or improve on the reduction of the ratio of wages paid by the Government as a portion of the gross domestic product to 9% or less;
4. ensure there is no deviation recorded in the notional account until the fiscal accounts for the financial year in question have been finalized and that to avoid any negative deviation to fiscal balance.

### ✓ **The Statement of Fiscal Performance**

The Statement of Fiscal Performance will provide an assessment of the Government's achievement of the budget targets and fiscal targets.

In addition to the 2 reports mentioned above, the Commissioner may prepare a report on any matter which relates to the functions of office and is required to prepare an annual report relating generally to the execution of the functions of the Fiscal Commission.

All reports prepared by the Commissioner are to be submitted to the Speaker of the House of Representatives and the President of the Senate for it to be laid in parliament. In addition, the Commissioner is required to maintain an official website. All reports and documents prepared by the Commissioner will be uploaded to the website for viewing of the public after it is first submitted and laid in parliament.

The website maintained by the Commissioner is required to have uploaded for the viewing of the public all reports prepared by the Commissioner relating to the functions of office, and the schedule of meetings between the Commissioner and the Advisory Committee and a summary of the main issues discussed at every such meeting.

### ✓ **The Advisory Committee of the Independent Fiscal Commission**

The penultimate provisions of the IFCA establishes an Advisory Committee (see section 17 of the IFCA). The Advisory Committee shall consist of 5 members from academia, the private sector, trade unions and civil society.

### ✓ **What is the function of the Advisory Committee of the IFC?**

The function of the Advisory Committee is to advise the Fiscal Commissioner on the key macroeconomic and fiscal developments and outlook based on the wealth of knowledge the members possess based on their station in society - academia, the private sector, trade unions and civil society