

MINISTRY PAPER

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**JAMAICA SOCIAL INVESTMENT FUND  
ANNUAL REPORT FOR THE PERIOD ENDED MARCH 31, 1999.**

**INTRODUCTION**

- 1.0 The matter for tabling in the Honourable House of Representatives is the Annual Report for the Jamaica Social Investment Fund. This report covers the financial year ended March 31, 1999.
- 1.1 The Jamaica Social Investment Fund (JSIF) Limited was incorporated under the Jamaican Companies Act in February 1996 to implement the activities of the JSIF project for a four year period. It is a temporary autonomous Government of Jamaica (GOJ) sponsored institution designed to assist Government in its poverty alleviation programme. In order to achieve its mission, JSIF mobilises resources from the GOJ, donors and International Lending Agencies to support small scale, community based social and economic infrastructure and service projects.
- 1.2 The Company is the Executing Agency for the project and neither earns income nor incurs expenditure on its own account. In this regard, financial statements for the project are audited separately from that of the Company, for which only a balance sheet is prepared.

**AUDITORS' REPORT (THE PROJECT AND THE COMPANY)**

- 2.0 On the examination of the Company's accounts in accordance with the accounting standards generally accepted in Jamaica, the auditors Deloitte and Touche again gave their unqualified opinion.
- 2.1 However, in relation to project activities, the auditors gave a qualified opinion noting that the cost of the community input (sponsorship) in sub-project activities was only partially accounted for in the financial statements.
- 2.2 It was also noted that the Statements of Expenditure Withdrawals conform with the requirements established in the various Loan, Grant and Project Agreements. The only exception was that project expenditure amounting to US\$ 574,000, which was to be replenished from the Government of Netherlands (GON) grant funds, was instead replenished from IBRD funds.

**THE COMPANY**

**BALANCE SHEET**

- 3.0 At March 31, 1999, the Company's net current assets valued J\$1000.00 and were equivalent to its share capital. Fixed assets amounting to \$19.94 million, are accounted for as project expenditure and not reflected on the Balance Sheet.

## THE PROJECT

- 4.0 Project activities executed by the Fund to date, are grouped into four categories, namely, social infrastructure, social services, economic infrastructure and organisational strengthening. Activities include roadwork, upgrading of health centres and schools, water works, skills training and the upgrading of nursing homes.
- 4.1 Since inception, a total of US\$ 9.36 million has been disbursed to sub-projects and of this amount, 10 projects each, received funding in excess of US\$300,000. Among the projects are, Bath Community Centre, Mocho Community Centre and Basic School and the York to Cove Parochial Road. Other projects included the Red Hills Domestic Water Supply, Riverton Meadows Skills Training Facility and New Day All Age School.

## FINANCIAL OPERATIONS

### SOURCES AND APPLICATION OF FUNDS

- 5.0 The Project's start-up cost was \$0.55 million (grant funded by the Japanese and Jamaican Governments) and the remaining cost of funding the Project's activities is estimated at US\$50 million. The balance is expected to be financed chiefly by the International Bank for Reconstruction and Development -IBRD ((US\$20 million), the GOJ (US\$10 million), the Inter-American Development Bank-IDB (US\$10million), and the Department for International Development (DFID - a technical co-operation grant of £476,000) as well as other sponsors and donors. As a result of the overall progress made by the Fund, the World Bank has expressed an interest in providing additional resources.
- 5.1 Beneficiaries and sponsors of the sub-projects, are obligated to contribute a minimum of 5% of the estimated sub-project costs in the form of donated labour, local materials and project preparation and supervision services.
- 5.2 JSIF continues to request funds from its contributors as needed. Tables 1 and 2 below, indicate that during the 1998/1999 financial year, the Fund expended US\$10.05 million. The major source of funding was the IBRD, accounting for US\$6.59 million (66%) of total funding for the period. The amount represented a \$4.31 million (188%) increase over the \$2.28 million allocated in year two of the project.
- 5.3 During the current year, 79% of the funds spent was committed to sub-projects and 21% to administration. The improving sub-project to administration ratio is in line with the Fund's four-year goal which establishes a ceiling of 14% for administrative expenditures. Nonetheless, administrative expenses for the year remained stable at year two levels and are not expected to show any major increase for 1999/2000. The real task of the Fund is therefore to increase the disbursement to projects in order to achieve the targeted ratio.
- 5.4 Since inception, US\$9.36 million has been disbursed on the projects managed and executed by the Fund. At the end of 1998/99, sub-project expenditure totalled US\$7.38 million and showed a significant increase of US\$5.40 million compared to year two, when US\$1.98 million was disbursed. This increase resulted as the Project focussed primarily on improving the rates of investment approval and hence the disbursement of resources.



Table 1: Sources of Funding

Sources of Funds Particulars	(US\$m)					
	Year 1 (inception) 1996/97	Year 2 1997/98	Year 3 1998/99	Δ Years 2-3	Total from Inception	%age of Total Funds
Japanese/GOJ grant	0.497	-	-	-	0.497	3
GOJ Contribution	0.893	1.133	1.573	0.440	3.599	23
IBRD Loan	0.157	2.281	6.588	4.307	9.026	58
DFID Grant	-	-	1.893	1.402	2.384	15
Others	-	-	0.368	0.368	0.368	2
<b>TOTAL</b>	<b>1.547</b>	<b>3.905</b>	<b>10.054</b>	<b>6.149</b>	<b>15.506</b>	

Table 2: Application of Funds

Application of Funds Particulars	(US\$m)					
	Year 1 (inception) 1996/97	Year 2 1997/98	Year 3 1998/99	Δ Years 2-3	Total from Inception	%age of Total Funds
<b>Institutional Support:</b>						
Salaries	0.281	1.067	1.586	0.519	2.934	19
Other Expenses	1.266	0.855	1.087	0.232	3.208	21
<b>TOTAL</b>	<b>1.547</b>	<b>1.922</b>	<b>2.673</b>	<b>0.741</b>	<b>6.142</b>	<b>40</b>
Sub-projects Expenditure	-	1.983	7.381	5.398	9.364	60
<b>TOTAL EXPENDITURE</b>	<b>1.547</b>	<b>3.905</b>	<b>10.054</b>	<b>6.149</b>	<b>15.506</b>	

- 5.5 During financial year 1998/99, \$2.67 million was expended for institutional support, a \$0.74 million increase over the US\$1.92 million spent in 1997/98. Salaries and related expenses accounted for 16% of the total expenditure during the year, moving from US\$1.07 million in 1997/98 to US\$1.59 million at the end of 1998/99. The US\$0.52 million increase resulted as the staff complement was increased, and temporary staff and international consultants were also employed. Other operating expenses increased by US\$0.23 million to US\$1.09 million during 1998/99 and are not projected to show major increases during the ensuing financial year.

## OPERATIONAL PERFORMANCE

- 6.0 The first year of JSIF's operations was focussed primarily on building the institution, recruiting and training staff, hence piloting only a small number of projects. However, during the review period, the Fund was able to achieve significant improvement in the rate of investment approval and disbursement of resources, due to its new thrust.

Project Operational Indicators

Indicators	Year 1 (from inception) 1996/97	YEAR 2 1997/98	Year 3 1998/99	TOTAL
Projects Approved	17	65	91	173
Projects Completed	0	17	48	65
JSIF Cost of Projects Approved (J\$m)	106.80	366.20	363.5	836.5
Amount Disbursed on Projects (\$Jm) **	1.70	149.70	325.1	476.5

N.B. Project operational data applies to period from inception to July 31, 1999

\*\* Excludes advance and mobilisation payments

- 6.1 The table overleaf indicates that during 1998/99, 91 projects were approved and 48 or 53% were completed. This indicated an improvement in the rate of completion as only 17 or 26% of the 65 approved projects were finished in 1997/98. At July 31, 1999, 65 projects or 36% of the total 173 approved projects since inception were completed. This was an improvement over the 17 (21%) completed at July 31, 1998 when 82 projects were approved for implementation. The cost of projects approved had also increased from \$579.80 million (from inception to July 31, 1999) to \$836.5 million at the end of the review period. At July 31, 1999, 59% (32% at July 31, 1998) of the funds approved were disbursed, illustrating a steady improvement in the ratio which also exceeded the Fund's 50% target.

### Impact Analysis

- 7.0 The impact made by JSIF within local communities has been significant. This is evidenced by the increase in demand and the level of disbursements on sub-projects. During the year, 171 new contracts, valued at a total J\$355 million, were signed by the Company with local contractors and consultants. Additionally, since inception, 57 contractors and 70 consultants were employed to perform services on sub-projects. Data collected from contractors indicate an average employment of 30 persons per project, which computes to 330 persons for 3-9 month periods. Approximately 24% of the total labour force were employed on infrastructure projects while women represented 35% of those employed in the social services projects.

### CONCLUSION

- 8.0 A review of the Fund's performance at the end of 1998/99 indicated an improvement over the previous financial periods and that the Company, to some extent, is achieving its mandate of poverty alleviation at the community level. The Fund's improvement resulted from the various strategies implemented by the Company's management team which included several changes in contracting procedures. In addition, during the year, Cabinet approved an increase in the internal contract approval limits.
- 8.1 The Company operates within the constraints of lengthy timelines for contracting consultants and contractors, as well as limited resources (most funds have already been committed) in comparison to high volume of applications. The Fund has indicated that despite constraints, it aims to increase the volume of the projects approved and implemented, in order to bring sub-project expenditures to the targeted 86% of total expenditures.
- 8.2 The financial year 1999/2000 should have been the fourth and final year of the Fund's operation. However the social and economic impact merits a further extension of its operations. The World Bank has also expressed interest in providing additional resources. If an extension is approved, the Company will have to establish strategies that will enable it to become more sustainable and hence, the proposal to invest in income generating projects seem reasonable. The approval of the World Bank is to be sought in this regard.

Omar Davies, M.P.  
Minister of Finance and Planning

File No. 463/122

18<sup>th</sup> July 2000