

#14/08

MINISTRY PAPER

**JAMAICA SOCIAL INVESTMENT FUND
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007.**

INTRODUCTION

1. The matter for tabling in the Honourable Houses of Parliament is the Annual Report of the Jamaica Social Investment Fund for the year ended March 31, 2007.
2. The Jamaica Social Investment Fund Limited was established in 1996 under the Jamaican Companies Act as the vehicle used to carry out all the activities of the Jamaica Social Investment Fund (JSIF) Project. JSIF is a temporary, autonomous Government of Jamaica (GOJ) sponsored project designed to address some of the most pressing socio-economic needs of the poorest and therefore the main aim of the Fund is facilitating poverty alleviation and eradication in Jamaica. The Company mobilises resources from the GOJ, donors, and lending agencies to finance sub-projects aimed at improving the social and economic infrastructure of lower income communities. JSIF's original life of four years was extended by six years since its inception, and consequent to the signing of a US\$29.30 million International Bank for Reconstruction and Development (IBRD) loan to fund the Inner City Basic Services Project (ICBSP), it was further extended to 2011. The GOJ will provide counterpart funding of approximately US\$3.5 million towards the project.
3. The Company receives funding, enters into contracts as well as pays expenses in respect of the Project and does not earn income or incur expenses on its own account. Accordingly, separate financial statements are prepared for JSIF (a project) and the Company (which implements the activities of the Project).

DISCLOSURES

Compensation of Senior Executives

4. Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, (2001), details of the compensation packages for senior executives of the Fund are included in the Annual Report. For the period under review executive emoluments totalled J\$20.32 million, which showed a moderate growth of J\$1.21 million on the J\$19.11 million recorded in 2005/06. The increase was due mainly to salary increments, the employment of a finance manager as well as an overall rise in salary payments.

Auditors' Report on Project and The Company

5. Deloitte and Touche conducted an audit of the Company's accounting records in accordance with the International Standards on Auditing and provided an unqualified opinion. The Auditors reported that proper accounting records have been kept, and the Company's financial statements are in compliance with International Financial Reporting Standards and the provisions of the Jamaican Companies Act.

6. A qualified opinion was issued by the Auditors, however, on the Projects' financial records, noting that the value of community contributions were only partially accounted for in the financial statements. When projects are undertaken, there is a stipulation by donors that at least 25% of the value of the project should involve an element of community input. However, when assessments of projects completed or contracted for are done, it is oftentimes determined that the value of the community input is less than 25%. In spite of an initiative implemented in 2003 to have project supervisors submit certification of community contribution before a final payment is made, due to the intricacies involved, the level of community contributions as stipulated were sometimes not met. JSIF however continues to review the process with a view to meeting audit requirements.

THE PROJECT

Sources and Application of Funds

7. The financial statements of the Project, as required by international donor agencies, are recorded on a cash basis and expressed in United States dollars (US\$). A total of US\$11.02 million was received from donor agencies during the year, compared to \$11.85 million in 2005/06. The moderate reduction of US\$0.83 million in funds received was due primarily to a decline of US\$2.63 million in funds received under the EU Poverty Reduction Programme, which was partially offset by increased funding from GOJ.

8. A total of US\$12.91 million was utilised by the project during the year, of which US\$10.40 million or approximately 81% was disbursed to fund sub-project expenditure. This represented a decline in project funding of US\$0.61 million below the US\$11.01 million in 2005/06 and resulted mainly from a decrease in projects under the EU Poverty Reduction Programme (PRP). Administrative and operating expenses (including technical costs) amounted to US\$1.99 million, a marginal increase above US\$1.92 million incurred in 2005/06.

Project Highlights

9. Table 1 shows that since inception (1996) to March 31, 2007 JSIF approved a total of 997 sub-projects, valued at J\$5,280 million, of which 685 projects were completed at an estimated cost of J\$3,370 million, impacting approximately 1.3 million Jamaicans islandwide. During 2006/07, the Board approved 117 sub-projects, valued at J\$757.75 million of which 72 valued at J\$562.61 million were completed by the end of the period. Completion of these projects has created access to basic socio-economic infrastructure and strengthened the organisational capacity of approximately 62,500 beneficiaries.

Table 1. Project Highlights

Particulars	Sub-Projects Approved Since Inception	Sub-Projects Completed Since Inception	Sub-Projects Approved During 2006/07	Sub-Projects Completed During 2006/07
Number of Sub-Projects	997	685	117	72
Board Approved Cost (J\$M)	5,280.00	3,370.00	757.75	562.61

10. Significant focus was placed on the implementation of social infrastructure projects, with particular emphasis on schools, community centres, water, roads and social services. JSIF played a facilitating role in helping communities manage the full implementation of their projects by providing training and giving technical supervision. 30 projects were approved under the Community Based Contracting (CBC) modality with an approximate value of J\$175.7 million. Upon completion, these sub-projects are expected to benefit some 41,000 Jamaicans. For the similar period, 21 CBC sub-projects were completed at an estimated cost of \$108.3 million, impacting approximately 25,000 beneficiaries.

11. In June 2006, the JSIF implemented the Inner City Basic Services Project (ICBSP), which aims at improving access to basic services for twelve (12) pre-selected inner city communities in Kingston, St. Andrew, St. Catherine, Clarendon and St. James. Although still in its infancy the ICBSP should benefit over 13,300 households living in these communities, which will include Whitfield Town, PassmoreTown/Brown's Town (Dunkirk), Federal Gardens, Tawes Pen, March Pen and Flankers. Financing is scheduled from the US\$29.3 million loan negotiated with IBRD by JSIF and GOJ, as well as US\$3.5 million in GOJ's counterpart funds.

12. Some notable projects were approved or completed during 2006/07, two such projects were the New Road domestic water supply upgrade (St. Mary) and the Rock Hall All Age School (St. Andrew). The New Road is a poor rural community of approximately 600 residents. Through funding provided under the EU Poverty Reduction Programme, the JSIF completed rehabilitative work to a pre-existing water reservoir tank that had fallen into disrepair. The National Water Commission and the Parish Council provided technical support for the project, which was completed at a total cost of approximately \$11.6 million. The Rock Hall All Age School project involved the expansion of the school and included the construction of 6 additional classrooms to alleviate the cramped seating situation at the school. Bathroom facilities were also built and 4 classrooms were equipped with desks and chairs for 160 students. The project cost approximately \$11.8 million.

OTHER ACTIVITIES

13. In response to a request by CARICOM governments for assistance in gaining access to affordable and effective disaster risk financing arrangements, the IBRD (World Bank) proposed a study of the viability of a Caribbean Catastrophe Risk Insurance Facility (CCRIF) which would allow Caribbean countries to pool natural disaster risks. The Government of Japan responded to a request by the IBRD by providing a grant of US\$1.80 million under its Policy and Human Resource Development Fund. The funds are used to finance preparatory activities, and feasibility studies, relating to the implementation of the project, which aims at assisting the

participating governments. It is worthy to note that JSIF was designated by the GOJ as the agency to carry out the procurement activities related to the establishment of CCRIF.

FINANCIAL HIGHLIGHTS- The Company

14. Given the nature of the Fund's operations, only a Balance Sheet and a Statement of Cash Flows were generated. The financial statements reflect the assets and liabilities relating to activities carried out on behalf of the Project and do not reflect the receipts or expenditure of the Project. The report as at March 31, 2007 indicated net current assets and share capital valued at J\$1,000. Total current assets of J\$99.55 million represented decline of J\$13.02 million on the previous financial year, due to project outflows/less recoveries being higher than the funds received from donor agencies during the year. This occurred as the company drew on resources brought forward from the previous financial year.

CONCLUSION

15. The JSIF is emboldened by the positive impact it has had on the development of lower income communities. As a result the Fund has recommitted itself to continue investing in the introduction and development of innovative poverty alleviation strategies that will lead ultimately to sustainable national development.



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December 14, 2007