

MINISTRY OF FINANCE AND PLANNING

MINISTRY PAPER NO. 20

DEFERRED FINANCING

Introduction

The Government of Jamaica within the constraints of limited budgetary resources has in recent years sought alternative means of financing the development and maintenance of major infrastructure projects. Consequently, amendments were made to the Financial Administration and Audit (FAA) Act (the Act) to formalize the deferred financing arrangements being undertaken to deal with the implementation of major infrastructure projects (excluding routine maintenance).

The Honourable House of Representatives will recall Ministry Paper No. MFP-41/03 dated May 20, 2003 which provided details on Deferred Financing Facility (DFF) activities up to March 31, 2003, pursuant to Sub-Section 8 of Section 24E of the Act. The Act requires the Minister to report to the House of Representatives on: -

- (a) the scope of the project;
- (b) the levels of financial commitments and the expenditure to date;
- (c) the physical targets; and
- (d) the phasing in of the Government's obligations in respect thereof within the annual estimates of revenue and expenditure.

Status Report

The Ministry of Finance and Planning now seeks to bring to the attention of the Honourable House of Representatives a summary report of the activities undertaken under the Deferred Financing Arrangement for the period April 1, 2003 to March 31, 2004.

Since April 1, 2003, disbursements totaling \$1,592.8 million have been made under previously approved arrangements for the continued construction of schools in North Western Jamaica, the continuation of Dualisation and Road Improvement Works to Howard Cooke Boulevard & Alice Eldermire Drive, and the Dredging of Sandy Gully Phase 11.

Scope of Projects

All projects, with a few exceptions, have either been completed, or are progressing, within the scheduled time and with minor variations to the original approved estimated costs. At March 31, 2004, three projects remained incomplete: the North Western Jamaica Schools, the Sandy Gully Phase 11 and the Howard Cooke Boulevard Dualisation. These are scheduled for completion between April 1, 2004 and June 24, 2005 (Appendix B). The gross amount spent on these three projects up to March 31, 2004 was **\$2,999.60mn**, and of the 17 schools projected to be built, four have achieved 63%, 87%, 96% and 98% completion, with work-in-progress on another five schools.

The Honourable House is asked to note that the expenditures undertaken under the Deferred Financing arrangements have contributed to improving the country's infrastructure, and have rehabilitated several kilometres of roads, refurbished and constructed schools, police stations and aerodromes.

Review

Since FY1997/1998 approval has been given for approximately **\$11,680.32mn** in *Deferred Financing Facilities* for contracts covering road construction and rehabilitation; the construction of schools and bridges; and the rehabilitation and dredging of major gullies, among others. A summary report is provided in Table 1.

Table 1

Financial Years	Amounts Authorized	Amounts Disbursed	Amount included in Debt Stock
F/Y 1997/1998	316,252,113.31	50,635,238.14	0.00
F/Y 1998/1999	542,316,402.13	470,883,421.60	0.00
F/Y 1999/2000	1,579,030,013.25	440,669,579.31	754,442,516.68
F/Y 2000/2001	2,218,416,542.17	1,118,621,008.10	173,469,938.83
F/Y 2001/2002	854,724,491.52	2,591,075,275.13	1,438,542,294.80
F/Y 2002/2003	6,169,576,362.81	1,912,744,682.82	1,436,571,435.09
F/Y 2003/2004	0.00	1,592,791,298.90	0.00
Total	11,680,315,925.19	8,177,420,504.00	3,803,026,185.4

The following sectors benefited from Deferred Financing arrangements in the period 1997/1998 to 2003/2004:

1. Construction:

- Rural Road Development Programme - Pamphret to Morant Bay, Negril to Savanna-la-mar and Cement Company to Harbour View Roundabout;
- Traffic Management Programme - Hope Road; Washington Boulevard/Mandela Highway; Trafalgar Road/Old Harbour Road/Mt. Rosser; and Mt. Zion to Rose Hall;
- Kingston Coast Road Phase III;
- HUB Programme - Arterial Roads Island-wide with total mileage of 268 km
- Northern Jamaica Development Project (NJDP) (North Coast Highway) approximately 298 km (and including Section 1, Negril to Davis Cove, Section 2, Davis Cove to Mosquito Cove, Section 3, Mosquito Cove to Bogue);
- South Gully - 1.2 km – Montego Bay Drainage and Flood Control;
- North Gully – Flood Damage Repairs and Construction;
- Dualisation and Road Improvement Works to Howard Cooke Boulevard & Alice Eldermire Drive; and
- Dredging of Sandy Gully Phases I and II.

2. Education: Schools Construction Programme (North Western Jamaica Schools) - Seventeen (17) schools are scheduled to be completed under this programme.

3. Security & Justice:

- Western Regional Police Headquarters; and
- Purchase of One Hundred and Eighty Six (186) Motor Vehicles for the Police Department

4. Civil Aviation: Rehabilitation of Domestic Aerodromes (Island-wide).

Financial Commitments/Budgetary Provisions

Of the amount of **\$11,680.32mn** authorized to date, approximately **\$8,177.42mn** has been disbursed by participating financing providers to contractors islandwide (Table 1).

At March 31, 2004, the Public Debt Stock had increased by approximately **\$3,803mn** as a result of Deferred Financing related obligations (Table 1) and a total amount of **\$1,577.87mn** had been paid out in principal and **\$1,100.46mn** in interest. A total of fourteen (14) Loan Agreements and marketable securities with a nominal value of **\$3,803mn** and maturities up to June 2017 have been entered into with, and issued to, financing providers in connection therewith (Appendix A).

Budgetary allocations totaling \$330.733mn were provided in the FY2003/2004 Estimates of Expenditure for appropriations to the relevant ministries, pursuant to the provisions of the Act which allow for the corresponding amounts of principal repayments due in the fiscal years to be provided in the respective ministries' appropriations, in addition to being provided for in the Public Debt. For the FY2004/2005 approximately \$671.810mn has been provided in the Estimates of Expenditure. The schedule of the phasing in of the Government's obligations in respect hereof within the annual estimates of revenue and expenditure was provided in Ministry Paper No. MFP- 41/03.

Appendices

Appendix A - Agreements/Securities Issued For Deferred Financing Facilities

Appendix B - Status Report on Deferred Financing Projects

Omar Davies
Minister of Finance and Planning

April 15, 2004

MF&P File #285/308

APPENDIX A

DEFERRED FINANCING ARRANGEMENTS FOR WHICH AGREEMENTS HAVE BEEN ISSUED

DATE	SOURCE /PURPOSE OF LOAN	MINISTRY	PROJECT PRINCIPAL	LOAN AMOUNT	SECURITY	MATURITY
01-Apr-99	Pamphret to Morant Bay & Yallahs Fording	Ministry of Transport & Works	181,006,089.45	212,078,457.85	Loan Agreement	31-Jul-04
07-Jun-99	Widening of Hope Road	Ministry of Transport & Works	354,828,228.50	351,722,158.25	Promissory Note	31-Mar-04
01-Apr-00	Negril to Savanna-la-mar & Cement Co. to Harbour View Roundabout	Ministry of Transport & Works	213,057,740.05	230,561,531.15	Loan Agreement	31-Mar-05
01-May-01	Trafalgar/Old Harbour/ Mt. Rosser	Ministry of Transport & Works	238,495,892.26	269,865,485.06	Loan Agreement	01-May-06
07-Sep-01	HUB Chin's Construction	Ministry of Transport & Works	94,221,549.23	100,853,074.14	Loan Agreement	07-Sep-04
21-Sep-01	HUB - SG Simpson	Ministry of Transport & Works	88,126,235.00	98,018,698.57	Loan Agreement	21-Sep-04
01-Nov-01	Washington Blvd/ Mandela Highway	Ministry of Transport & Works	268,122,371.00	306,636,861.60	Loan Agreement	01-Nov-06
24-Dec-01	North Coast Highway - M&M Jamaica	Ministry of Transport & Works	184,948,181.49	197,462,769.69	Loan Agreement	31-Oct-06
25-Jan-02	North Coast Highway - Surrey Paving & Aggregate	Ministry of Transport & Works	274,463,918.43	298,598,619.86	Promissory Note	25-Apr-06
27-Feb-02	North Coast Highway - Ashtrom Group	Ministry of Transport & Works	106,800,418.74	115,916,581.68	Loan Agreement	27-Nov-06
17-May-02	NJDP(North Coast Highway) - Investment Masters Limited - Lagan Holdings	Ministry of Transport & Works	126,805,022.80	137,433,290.66	LRS	17-May-17
28-Jun-02	NCB - Traffic Management & North Coast Highway- Pavement & Structures, Ashtrom Group, M&M Jamaica	Ministry of Transport & Works	1,064,761,779.93	1,161,382,775.12	LRS	28-Jun-04
28-Jun-02	NJDP(North Coast Highway) - Investment Masters Limited - Tankweld, Mogul	Ministry of Transport & Works	132,886,386.84	137,755,369.31	LRS	28-Jun-17
31-Aug-99	Western Regional Police Headquarters	Ministry of Transport & Works	185,000,000.00	184,740,512.46	Loan Agreement	30-May-04
				3,803,026,185.40		

Ministry of Finance and Planning
13-Apr-04

APPENDIX B

STATUS REPORT ON DEFERRED FINANCING PROJECTS

Project	(1) Original Scope (and Variations).	(2) Original Schedule for Completion.	(3) Extent of Works completed at March 31, 2004.	(4) Works to be completed and completion period.	(5) Amount spent on project to March 31, 2004.
Sandy Gully					
Phase 1	J\$84,109,417.00 No variations	3 months ending January 31, 2003	100% complete	Certificate of Completion Issued and 50% retention paid. Final payment of J\$2,102,735.43 at the end of the defects liability period January 26, 2004 .	J\$82,006,681.81
Phase 2	J\$1,691,390,587.00 No variations	20 months ending July 26, 2004	56% complete	Repair activity could delay dredging of the upstream section of Sandy gully beyond the bridge. Two (2) month extension might be granted as a result of unexpected delays.	J\$1,024,572,436.63
North Western Jamaica Schools	J\$3,495,209,655.00 No Variations	156 weeks ending June 24, 2005	Work at Frome High 98%, Irwin High 96%, Irwin Primary 87%, Holland High 63%, Success Primary 37%, Green Pond High 34%, Green pond Primary 32%, Green Pond Basic <1% and Spot Valley High 6% complete and are in progress.	17 schools to be built.	J\$1,430,771,411.60
Howard Cooke Boulevard/ Alice Eldermire Drive	J\$718,291,251.00 No variations	20 months ending April 1, 2004	98% complete	Certificate of Completion Issued and 50% retention paid. Final payment of J\$1,724,214.10 will be due at the end of the defects liability period in April 2005 .	J\$607,254,901.14

April 13, 2004