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## ANNUAL PROGRESS REPORT

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<b>Country:</b>	JAMAICA		
<b>Reporting period:</b>	January – December 2013		
<b>Project number and title:</b>	00063208 Strategic Flexible Funding Mechanism		
<b>Project Duration:</b>	2008-2013		
<b>Donors:</b>	Department for International Development (DFID), UNDP		
<b>Implementing Partner:</b>	Planning Institute of Jamaica (PIOJ)		
<b>Responsible Parties:</b>	Planning Institute of Jamaica, Ministry of Finance and Planning		
<b>Overall Project Coordinator:</b>	Barbara Scott		
<b>Initial Approved Budget:</b>	US 276,428.32	<b>Revised Approved Budget:</b>	US\$191,904.00
<b>Total annual advance:</b>	US\$125,982.18	<b>Total annual expenditure</b>	US\$ 137,732.61
<b>Annual Delivery:</b>	72%		

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## I. EXECUTIVE SUMMARY

The Strategic Flexible Funding Facility continued to provide support to the government of Jamaica for the implementation of short-term strategic interventions which were not only critical in assisting the government to comply with the conditionalities of the International Monetary Fund and other signed Agreements, but have the potential to trigger economic activity which could enhance the national growth agenda.

The project had a planned budget of **US\$191,904** which had to be expended by December 15, 2013 in keeping with the accounting requirements of the International Development Partners. Despite efforts to ensure utilization within the time allotted, the challenges which have plagued the project from its inception again resulted in less than optimal utilization of the funds.

-The very specialized training that was planned for the employees of the PIOJ, the Ministry of Finance and the Bank of Jamaica in the use of the Dynamic General Equilibrium Model, was not realized as the expert who had constructed the model and was the preferred trainer, was unavailable before 2014. The resources earmarked for this training was therefore not utilized.

The complex and “ground breaking” nature of the work required to prepare a comprehensive Omnibus banking legislation for Jamaica necessitated more time than anticipated for the preparation of the drafting instructions and then for the preparation of the law. The Consultant though paid for part of the work was unable to complete the task before December 15. With the project funds no longer available, the Bank of Jamaica paid the remaining balance on the project.

Total expenditure was therefore US\$137,732 reflecting 71% utilization.

The achievements of the project were:

1. Drafting Instructions for OMNIBUS Banking Bill

The Bank of Jamaica was provided with Drafting Instructions which would facilitate the preparation of the OMNIBUS Banking Legislation. The Legislation will merge aspects of the Provisions of the Bank of Jamaica Act, the Financial Institutions Act, and the Bank of Jamaica (Building societies) Regulations, to allow the BOJ enhanced supervision over deposit-taking institutions.

2. OMNIBUS Banking Legislation

The complex Omnibus Banking Legislation was drafted from the instructions provided under this project. The legislation which will widen the powers of the bank of Jamaica is a benchmark under IMF programme to be realized by the end of March 2014.

3. Revision of Jamaica’s Probate Laws The project facilitated the research required to inform the revisions which are required to reform the probate laws to ensure greater ease in the transference of estates to beneficiaries who in turn will be able to utilize these assets to facilitate economic activity.

4. Legislation for the development of Crewing in Jamaica

Jamaica was provided with draft legislation which will make Jamaica compliant with provisions in the International Maritime Labour Convention and thereby considered a serious participant as an international maritime nation.

5. Insolvency Act and Regulations

Provisions were made to repeal the Bankruptcy Act and to provide regulation for bankruptcy and insolvency for corporate and individual insolvency, to provide rehabilitation of the insolvent debtor and to create the office of Supervisor of Insolvency.

6. Establishment of Comprehensive OMNIBUS Tax Incentive Regime - Support was provided to the government for the review of international experiences with tax incentive legislative reforms.

Recommendations were made of best practices, principles and guidelines for the establishment of a Tax Incentive Regime in Jamaica.

### Lessons Learnt:

- More realistic assessments must be made of the time required for the preparation of legislation, particularly when the areas being covered are new and require in-depth research and reference to international best practice.
- There is need to have contingencies in place to ensure that when a planned project is cancelled, another activity can be initiated within a reasonable timeframe

II.

**III. FINANCIAL SUMMARY**

FOR THE PERIOD JANUARY – DECEMBER 2012 THE STRATEGIC FLEXIBLE FUNDING FACILITY WAS ALLOCATED A TOTAL OF US\$ 171,500 FOR PROJECT ACTIVITIES. AGAINST THIS PROVISION, ADVANCES OF US\$ 52,973.98 WERE MADE. DISBURSEMENTS OF US\$ 87,985.94 WERE MADE IN RESPECT OF CONSULTANCIES FOR THE FOLLOWING AREAS :

<b>RESOURCE AND EXPENDITURE REPORT - 2012</b>						
<b>Donor</b>	<b>Total Budget (US\$)</b>	<b>Programmable Budget (US\$)</b>	<b>UNDP Direct Payment/Reimbursements</b>	<b>Total Advances to IP (US\$)</b>	<b>Total IP Expenditure US\$</b>	<b>Remaining Funds (US\$) Prog. Budget minus Total Expenditure</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F= B-(C+E)</b>
DFID	191,904.00	US\$191,904.00		125,982.18	137,732.61	54,171.39
<b>TOTAL</b>	191,904.00	US\$191,904.00		125,982.18	137,732.61	54,171.39

#### IV. ACTIVITIES AND ACHIEVED RESULTS

Expected Outputs & Indicators (including annual targets)	Planned Activities	Planned Budget (US\$)	Expenditure (US\$)	Achieved Results	Progress Towards Achieving Outputs
<p><b>Output 1</b> Enhanced Fiscal Management Framework to Facilitate Efficient Resource Allocation and management and Promotion of Equitable Growth</p> <p><b>Baseline</b></p> <p><u>Targets:</u></p> <p>-Drafting Instructions for revision of Probate Law;            - <b>Establishment of Comprehensive OMNIBUS Tax Incentive Regime</b>            -Drafting Instructions for OMNIBUS legislation;            -Omnibus Banking Legislation            - <b>Insolvency Legislation</b>            - <b>Crewing Legislation</b>            - <b>Government Officers knowledgeable of construction and use of Dynamic Computable General Equilibrium Model</b>            -</p> <p><u>Indicators:</u></p>	<p>Preparation of drafting instructions for the revision of the laws governing the administration of the property of the deceased.</p>	27,593		Drafting Instructions and draft law completed	The final 'Instructing Draft' will facilitate drafting of the legislation for probate reform. This is expected to create greater administrative ease for the transfer of properties which currently cannot be used by beneficiaries to access financing for development purposes. It is anticipated that the reforms will facilitate investment and accelerate growth
	<p>Review international experiences with tax incentive legislative reforms and provide recommendations of best practices, principles and guidelines for the establishment of a Tax Incentive Regime in Jamaica.</p>	10,000		Recommendations provided to government	The technical advice received was used to inform the government's position on the new tax incentive regime which has to be implemented as an IMF conditionality to reduce tax expenditure from 6% to 2½ %of GDP by 2015.
	<p>Preparation of the Instructing Drafts of Omnibus legislations to enhance the supervision of deposit-taking institutions;</p>	37,086		Drafting Instructions completed	The final 'Instructing Draft' for the OMNIBUS Legislation will contribute to an enhanced legislative framework that will extend the Bank of Jamaica's supervision over all deposit-taking institutions to facilitate better and more efficient management of the country's resources

Expected Outputs & Indicators (including annual targets)	Planned Activities	Planned Budget (US\$)	Expenditure (US\$)	Achieved Results	Progress Towards Achieving Outputs
	Preparation of the Omnibus legislations to enhance the supervision of deposit-taking institutions;	61,225		Draft legislation completed	The new laws will give Bank of Jamaica supervisory authority over all deposit-taking institutions. This will facilitate better and more efficient management of the country's resources
	Draft Insolvency Requirements for financial intermediaries	30,000		Draft Law completed	The legislation will make provisions and regulate the conditions for individual and corporate bankruptcy and insolvency, and determine the provisions for a supervisor of insolvency. This is critical to an economy which is seeking to attract international investors to enhance its potential for growth
	Preparation of legislation to govern crewing in the maritime sector	16,000		Draft legislation completed	The legislation will contribute to the general governance framework required for the establishment of Jamaica as a maritime hub and specifically as a global supplier of crew.
	Training in the construction and manipulation of the Dynamic Computable General Equilibrium Model	10,000		No result achieved	n/a

Expected Outputs & Indicators (including annual targets)	Planned Activities	Planned Budget (US\$)	Expenditure (US\$)	Achieved Results	Progress Towards Achieving Outputs
	Monitoring and Evaluation Quarterly Progress Reports Annual Project Reporting		-		
	Audit		6593.06		
<b>TOTAL</b>			87,985.95		



**V. PARTNERSHIPS AND SUSTAINABILITY**

Partnerships	Impact on/Contribution to Project Activities
Ministry of Finance	Very helpful in clarifying the legislative process for projects; provided updates on the progress of projects at the CPC when required. Delays were however experienced with the preparation of TORs for consultancies.
Bank of Jamaica	Was helpful with preparation of TOR for Drafting Instructions and review of consultant's contract. Some delay was experienced to provide background research papers for commencement of the consultant's contract.
Office of the Chief Parliamentary Counsel	Very helpful in the identification and recommendation of suitable legislative drafters despite their inability at times to accept an offer.
Financial Services Commission	Generally cooperative in reviewing consultant's work to meet deadlines and supportive of the efforts of the PIOJ to deliver projects in a timely manner.
Ministry of Justice	Largely unresponsive to request for updates on consultancy.
<b>SUSTAINABILITY</b>	
<p>The PIOJ was instrumental in the preparation of work plan, review of TORs for consultancies, preparation of consultancy contracts, making timely requests, disbursements and liquidation of funds and with general monitoring of project activities. Based on the types of projects which are mostly legislative, these actions impact the delivery of project outputs but have no direct impact on their sustainability.</p>	

**Annex I Combined Delivery Report**

**[Annex II Assets Inventory](#)**

**The Project has no assets.**



AssetInventoryTemp  
late.xls

## Annex III Risk Log

	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1.	The FSC Project was affected by Hurricane Sandy during which there was a loss of electricity. Consultant was unable to produce deliverable to agreed timelines.	About September/October 2012.	Environmental	1 (low) to 5 (high) P =5 Impact 3	Contact was made with consultant who explained the difficulties to complete assignment.	Project Consultant	Project consultant	October 2012	Dead. Project has ended.
2.	The Ministry of Justice entered into a contract with the consultant to pay 50% of the agreed funds before commencement of the project and before submission of a deliverable	At the start of the consultancy in August 2012	Monetary loss	P = 3 Impact 5 (high)	Additional Funds have been restricted to Flex Fund Account by development partner to prevent further disbursements.	Project Consultant	Development Partner and local Counterpart	August 2012	dead
3.	Delay in achieving an IMF Agreement for the implementation of new projects	2012	governmental	P 4 (medium) Impact 5 (high)		Project consultant	Project consultant	January 2013	pending

## Annex IV Issues Log

#	Description	Date Identified	Type	Impact & Priority	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1.	Failure of one project consultant to provide timely updates for project reporting.	Sept. 2012	<i>Operational</i>	Affects the ability to satisfy reporting requirements. Impact 5 (high) Priority =5	Reports to Ministry of Justice	PROJECT Consultant.	Project consultant	January 2012.	.pending,
2.	Low implementation rate and relatively low project expenditure	2012	Operational	Reduces project delivery Impact 4 (high) Priority =5	Ministries have been requested to submit requests.  Development Partner has reduced budgeted allocation to the project.	Project Consultant.	Project consultant	January 2012	pending,
3.	Insufficiency of legal drafters for consultancies.	2011	operational	Inordinate delays in start of consultancies 1 5 (low) Priority =5	CPC requested to update listing to include other qualified professionals in Private practice.	Project consultant	Project manager.	2012	pending,

## Annex V Lessons Learnt

#	Type	Date Identified	Successes	Shortcomings	Recommended Solutions	Submitted, updated by
1.	Project management	August 2012	No particular success identified.	<p>Design of the contract wherein an agreement was reached that the consultant should receive 50% of total fees for mobilization on signing. Mobilization fees are usually in the vicinity of 15-20%.</p> <p>The consultant not being accountable to the party responsible for project funds but to the Ministry that engaged his services. Based on this arrangement, difficulty was experienced satisfying reporting requirements of the development partner</p>	<p>Given that the PIOJ is responsible for the funds allocated to the project; greater involvement should have been taken in the drafting of the contract to ensure consistency with standard mobilization practices.</p> <p>This challenge has not been overcome. The PIOJ was advised that the consultant has submitted a report with recommendations to the Ministry of Justice for Cabinet review.</p> <p>The PIOJ needs to request deliverables at the next request by the MOJ for a disbursement of funds.</p>	December 2012.
2.	Project Results	November 2012	<p>Drafting Instructions for amendment of FSC legislation was successfully completed. Consultant did not veer from the commitment to complete deliverables despite extenuating circumstances. (leg injury from a fall and loss of electricity from Hurricane Sandy.)</p> <p>The FSC was also timely in their review and gave suggestions for completion of deliverables.</p>	Hurricane Sandy was a challenge that was unanticipated. Work on the project was temporarily disrupted owing to the loss of electricity, and injuries suffered by the consultant.	<p>Completion of the project was delayed. No-cost extensions were granted to overcome this difficulty.</p>	Sept. 2012

#	Type	Date Identified	Successes	Shortcomings	Recommended Solutions	Submitted, updated by
3.	Organizational	Oct. 2012	The contracting process was smoothly handled. There was also constant communication among the parties during which clarification was provided for the consultant on issues raised.	Although the consultant was unable to start the assignment at the time initially proposed by the BOJ, the Bank was behind schedule with some background research papers that were to be provided at the start of the contract.	The documents were eventually provided and the consultant was able to start the assignment, however it would have been a more efficient arrangement if the Bank had made the extra effort to have all documents ready at the start of the contract.	Dec. 2012
4.	organizational	Aug. 2012		Legislative drafting is a specialist area and not many lawyers are in possession of this skill. Projects requiring this skill are often subject to delays as the few persons in the profession often have several commitments. This was the situation experienced in the effort to identify a drafter for the OMNIBUS legislation.	The Chief Parliamentary Counsel was asked to recommend a suitable person after a number of drafters were asked to confirm their availability, which they could not, based on previous commitments. Unless the pool of drafters is extended there is no short-term solution to this problem.	Sept./Oct. 2012
5.	organizational	Sept./Oct. 2012		Lengthy delays were experienced to get Terms of Reference from ministries requesting support for projects and the problem appears to be the lack of persons with the relevant skills for their preparation.	Some assistance was provided by the PIOJ but the need exists for capacity building in this area.	

**Project Management:** Prepared by: James Sinclair Date: 21/3/2014

Approved by: Andrea Stewart Date: 21/03/14