

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED (Ex-Im Bank)

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Overview of Programmes - Present and Projected, their impact and constraints faced

The Ex-Im Bank formed in 1986 just over 11 years ago is a public sector trade finance institution which has as its primary mandate the development of the country's non-traditional export sector. This it seeks to do via two main modalities

1. A range of financing programmes usually on highly concessionary terms; and
2. By offering export credit insurance.

A. Overview

I. The Present Financing Programmes

1. Local Currency Short Term Working Capital Loans

The Bank offers short term revolving discounting facilities in local currency for exporters only. Loans are available generally for working capital support either on a pre-shipment or on a post-shipment basis. These facilities aim to encourage the manufacturing and exporting of Jamaican goods by making funds available on highly concessionary terms. The discounting facilities are:

i) *Pre-Shipment Facility (PSF)*

This is a pre-shipment facility which allows an exporter to either purchase local raw materials for conversion into finished goods for export or to procure other locally produced goods also for export e.g. trading houses. Financing is available for amounts of up to 65% of the f.o.b. value of an export order for a period of 90 days. Funds are accessed directly from the Ex-Im Bank and applicants must satisfy Ex-Im's lending criteria. Collateral is required.

ii) **Export Credit Facility (ECF)**

This is post-shipment facility which allows an exporter to obtain financing of up to 80% of the c.i.f. value of a shipment already made. Credit is for a maximum period of 120 days. For this facility funds are accessed directly from the Ex-Im Bank and applicants must satisfy Ex-Im's lending criteria. Collateral is required.

iii) **Bankers' Export Credit Facility (BECF)**

This provides both pre and post shipment financing to exporters. Funds are accessed directly through the commercial banks or other financial institutions approved by Ex-Im Bank. Applicants must meet commercial banking requirements as they are required to bear all the credit risks.

iv) **Insurance Policy Discounting Facility (IPDF)**

The Bank also offers a working capital short term facility as an adjunct to the local currency discounting facilities available to exporters. This short term facility called "IPDF" is available only to the small to medium sized exporter who is the holder of an export credit insurance policy from the Bank. The IPDF operates only as a post-shipment facility and funds are advanced using the export credit insurance as collateral subject to the acceptability by the Ex-Im Bank of the credit risk associated both with the foreign buyer and the policyholder. Other conditions also apply.

In terms of the Bank's performance under these lending programmes both 1995 and 1996 disbursements exceeded \$1.0 billion in each year.

The sectors which benefit from these disbursements are mainly Food and Beverage, Textile and Apparel, Chemicals and Pharmaceuticals.

For 1997/98 fiscal year the budget provides for disbursements of J \$1.4 billion under these working capital loans.

Other Local Currency Loans

The Bank also lends to the Small Business Sector on a medium term basis (up to 4 years). To date loans disbursed to this sector total \$101.0 million spread over 403 applications mostly for businesses involved in production rather than distribution.

2. Foreign Currency Lending Portfolio Discounting of Foreign Receivables

As an alternative to discounting receivables in local currency, the Bank allows the option of discounting these receivables in foreign currency. This is also short term.

Working capital for a longer period (up to 360 days) is provided mainly for imported raw material purchases.

Through a number of Foreign Lines of Credit offered by correspondent overseas banks, Ex-Im's pool of foreign currency is augmented. These Lines facilitate the importation of inputs for the production process.

II. Export Credit Insurance Portfolio

Export Credit Insurance protects foreign receivables against certain classes of commercial and political risks.

The portfolio is re-insured overseas under a Quota Share arrangement. Under this arrangement the Bank cedes 60% of its annual premium for 60% of the risk. Discussions have been taking place with the Government with a view to their taking over the underwriting of the portfolio, on agreed terms such that we can rationalize our cash management for premium payments.

It would also allow the Bank more flexibility in operating its portfolio.

In several countries public sector export credit agencies write risks, mainly political risks on behalf of their Governments.

Ex-Im Bank enjoys a monopoly in the market for export credit insurance.

B. Projected Financing Programmes

1. Special Assistance to the Apparel Sector

The Bank has given its commitment to assist with financing the Apparel Sector, one of the Sectors targetted under the National Industrial Policy. The Bank has agreed to provide from its own resources almost J \$70.0 million in order to provide an overall pool of \$100.0 million for the working capital component of the special assistance being given to this Sector.

2. A Re-tooling Fund for Exporters

The Bank's Board of Directors at its meeting on 08 September 1997 agreed that the Bank should earmark a special pool of funds to make re-tooling loans available to the export sector (direct and linkage companies). The Fund is to operate in co-operation with the JAMPRO's Modernization of Industry (MOI) Scheme under which beneficiaries qualify for various forms of tax incentives.

The amount earmarked is J \$200.0 million of which it is proposed that J \$50.0 million should be set aside for the smaller borrowers. Loans are expected to be for a period of three years at rates of interest of 18% - 20% per annum depending on the collateral to be taken.

3. Working with Export Trading Houses

The Bank is satisfied that synergies exist for the Ex-Im Bank to form a relationship with Export Trading Houses mainly in order to allow the final producer who actually supplies the goods for export to benefit from Ex-Im's concessionary loan funds and thereby helping to create and build stable supply relationships.

We see the state owned Export Trading House - Jamaica Export Trading Company Limited (JETCO) as being able to fit into such a situation but we are well aware of its present financial constraints.

4. Lines of Credit to Cuba and Haiti

Both the Government and the Bank have already stated their commitment to making Lines of Credit available to both Cuba and Haiti.

For Cuba the amount being offered is Canadian Dollars 5.0 million (approximately J \$128.0 million) and for Haiti the amount is US \$3.0 million (approximately J \$107.0 million - a total of some J \$235.0 million).

The Lines of Credit are intended to sell Jamaican goods into these markets

5. Other Facilities: Factoring of Receivables

The export sector has asked the Bank to consider a programme of factoring of their receivables. This is expected to help their Cash Flows.

The Bank is presently studying this proposal.

The Ex-Im Bank's Resource Base

(i) Shareholders' Equity:

-	Share Capital	-	\$100 000 000
-	Advance on Shares	-	157 737 961
-	Reserve Fund	-	12 298 229
-	Retained Profits	-	<u>233 414 226</u>
			<u>503 550 416</u>

(ii) Long Term Loans from Shareholders:

(a)	\$148.0 million	-	Bank of Jamaica	-	10%
(b)	\$688.1 million	-	Government of Jamaica	-	15%
Total resource base		=	\$1.33 billion		

Explanatory Notes

- (i) Advance on shares of \$157 737 961 includes an amount of \$107 737 961 which represents a conversion of debt to equity and not a straight cash injection.
- (ii) Long term loan from the Government of Jamaica represent a loan taken over from a previously administered associated company. Ex-Im Bank does debt servicing.

C. The Constraints

- I. The Ex-Im Bank is not a deposit taking institution hence the resources at its disposal come from the shareholders' contribution, generated surpluses or loans. So far borrowings have been from the shareholders only. The Bank is not on the National Budget.

A review of the resource base shows that it is narrow and if the impact of the foregoing explanatory notes is taken into consideration then the implications of this narrow base become even more severe.

In the National Industrial Policy, the Ex-Im Bank is identified as the institution to provide short term working support to the export drive.

In order to effectively do this, the resource base of the Bank is in need of strengthening. Over the years the data has suggested that Ex-Im's funds perhaps 15% - 20% of non-traditional exports. Although the level of lending has been showing an increasing trend particularly in 1995 and 1996, there is still room for significant growth.

- II. In terms of presently available free resources vis-a-vis targetted new programmes and taking into consideration existing programmes, the Bank is envisaging a tightness which will require very careful management, if certain of its targetted programmes are not to be shelved.

For the Lines of Credit to both Cuba and Haiti the Bank recognises that the offerings are small and based on the strong expressions of interest which both of these initiatives have generated, the amounts are likely to be quite inadequate. We are however constrained by our limited resource base.

As we see these initiatives as being a very direct and positive contributor to the growth in our exports, the Ex-Im Bank definitely recommends that at the very least we be provided with additional resources to properly fund these arrangements and allow for the growth potential in exports to these markets, to be realized.

- III. Ex-Im Bank is not a risk taking institution. Except in very exceptional cases and in dealing with certain 'blue-chip' clients all loans are fully secured usually by bank guarantees. For this the Bank continues to attract adverse comments.

This operational modality has been recognised in the National Industrial Policy as one of the constraints on public sector lending agencies.

CONCLUSION

Under the National Industrial Policy, the Ex-Im Bank is named as one of the public sector lending institutions which will execute the Government's strategy for providing capital to the productive sector.

If the Ex-Im Bank is to play a meaningful role under the National Industrial Policy and contribute in any significant way to the growth in the country's levels of non-traditional exports,

its main focus then the bank's resources will need to be enhanced. Funding for the proposed Lines of Credit to Cuba and Haiti could be immediately addressed.

At the same time a positive consideration by the Government to underwrite the export credit insurance portfolio will also help the Bank to support the export drive under a more flexible insurance regime.

National Export-Import Bank of Jamaica Limited
10 September 1997

PRIME MINISTER

OCT 10 1997



CABINET OFFICES

MEMORANDUM

TO: The Honourable Prime Minister
Chairman, Development Council

FROM: *for* Cabinet Secretary/Permanent Secretary

DATE: October 9, 1997

SUBJECT: Development Council Papers

Enclosed, for your attention, please find the following documents:-

- An Agenda for the Development Council Meeting, Wednesday, October 15, 1997 at 10:00am
- Document No. DC 56/OPM(NIBJ) 23/97.

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Enclosures.

cc. Development Council Members

iv **Informatics**

Implications for the growth of the sector taking into account the various groups dealing with the issues. NCST - National Informatics Committee.

C O F F E E B R E A K

11:30 - 1:00

SESSION 4

The Way Forward

The Short Term Agenda - General discussion

Public Relations - Marketing the Industrial Policy - something for everyone - Ralston Smith

Summary of Discussions and Agreement on Decisions Taken - Cabinet Secretary

Closing Remarks - Honourable Prime Minister

1/11/97
Not held

CONFIDENTIAL

DC 6/97

MEETING OF THE DEVELOPMENT COUNCIL
BANQUET HALL, JAMAICA HOUSE
Wednesday, October 15, 1997, Commencing at 10:00am

A G E N D A

1. Call to Order/Opening Remarks - Hon. Prime Minister - Chairman [5 minutes]
2. Apologies for Absence [1 minute]
3. Confirming of Minutes of September 12 & 13, 1997 [1 minute]
4. MATTERS ARISING: [20 minutes]
 - 4.1 Productivity - (see pp. 9-11 of Minutes DC 5/97)
 - 4.2 Report on Tourism Sector - Update on Hotel Projects
- (see pp. 33-40 of Minutes DC 5/97)
 - 4.3 Report on Manufacture & Service Sector
 - 4.4 Status of the Agriculture Sector
- (see pp. 42-45 of Minutes DC 5/97)
 - 4.5 Status of the Telecommunication Sector
 - 4.6 Status of the Informatics Sector
5. National Industrial Policy Implementation Update [10 minutes]
6. NIBJ Investment Projects & Debt
Financing - (DC 56 /OPM(NIBJ) 23/97) [5 minutes]
7. Jamaica Railway Corporation [5 minutes]
8. Report on Port Royal - Mr. Robert Stevens [20 minutes]
9. Any Other Business
10. Date of Next Meeting
11. Adjournment

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DC 42/OPM(NIBJ) 21/97

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UPDATE ON HOTEL PROJECTS

HEDONISM III- RUNAWAY BAY

Final drafts of the Construction Contract, Management Agreement and Shareholders Agreement are in place awaiting approval from NIBJ and NHP. The final financing plan is to be submitted to NIBJ on or before September 12. Signing of these agreements should take place by September 19 and ground breaking is planned for September 27. All other issues have been agreed upon with the GOJ team. The acquisition of the adjacent property is still incomplete as the legal requirements (including the removal of caveats) have not yet been fulfilled. The promoters are negotiating to initially lease this property with an option to purchase until all legal requirements are satisfied. The purchase price agreed on is US\$1.5 Million.

SWEPT AWAY- TRELAWNY

The financing plan has not been finalized as the promoters have requested that US\$9.4 Million of the US\$14.4 Million approved by NIBJ, be converted to ordinary shares rather than preference shares. NIBJ cannot accede to this request. The issues of the water and power supplies have not yet been resolved as the promoters are insistent on providing these independently. In light of the fact that financing is from public funds, and based on the high operating expenses associated with the Desalination plant, the team has recommended that these independent plants should not be accommodated. A deadline of October 14 has been issued to the promoters for the resolution of these matters.

DRAX HALL MARRIOTT

The GOJ team continues to work with the promoters in closing the financing gap of US\$5M. The status as submitted in the last Development Council's report has not changed, however design drawings have been submitted to the UDC's Chief Architect for review.

RITZ CARLTON- MONTEGO BAY

Preliminary funding approval (US\$60M) from OPIC has been received however final approval is expected on September 16. Developments to date are as follows:

- (a) Hotel Incentives application submitted to JAMPRO
- (b) Subdivision plans are being finalised i.e. the hotel is to be delineated, from the existing property.
- (c) Architectural plans near completion. Targeted completion date for bid package slated for mid October.

Construction of the project is expected to commence in January 1998.

BEACHES- WHITEHOUSE

The sponsors of the project are proposing the following:

- a) The land be resold to the UDC at the original price (J\$6M).
- b) Government assumes responsibility for providing a developed site to the project sponsors including site preparation, drainage, flood works, sewerage, water supply and the construction of the main road to the site. This is expected to cost US\$3M. These costs will significantly reduce the total Project Cost and impact positively on the viability of the project. Guidance is being sought from the Development Council on this matter.

The proposed Financing Plan is as follows:

Item

	Total Cost	NDB	Other Banks	NIBJ	Gorstew/S andals	Other Equity	UDC
Construction	30 660 000	10 000 000	4 660 000	10 000 000	6 000 000		
Infrastructure	3 000 000						3 000 000
Landscaping	400 000					400 000	
Signage & Lighting	200 000					200 000	
Furniture Fixtures & Fittings	6 755 000		6 755 000				
Professional Fees	3 700 000		2 400 000		1 300 000		
Finance & Admin	3 300 000					3 300 000	
Contingency	1 985 000					1 985 000	
TOTAL CAPITAL COST	50 000 000	10 000 000	13 815 000	10 000 000	7 300 000	5 885 000	3 000 000

BRACO VILLAGE/BRACCO PEBBLES COMPLEX

A technical team continues to work with the main sponsors. Recent developments are outlined below:

- a) Management Agreement is still under negotiation and is expected to be finalised within two weeks.
- b) Shareholders Agreement has been prepared .
- c) The value of the land has been referred to the Property Division of the UDC. A site visit is expected by September 12, 1997.
- d) The preparation of a 49- year lease for land owned by Braco Pebbles. It is recommended that shareholders be requested to inject the necessary financing to close the US\$8 M gap or, alternatively seek long-term financing through an appropriate source.

SEAWIND TOWERS

The acquisition of the property from Montego Freeport Limited is in the final stages of negotiation. The sponsors are seeking a vendor's mortgage of US\$2 million, the terms of which are to be negotiated. GOJ is being asked to directly invest US\$7 million (NDB/CIBC – US\$6 and NIBJ US\$1 M). The sponsors are expected to contribute US\$6 million inclusive of US\$2 million, payable to Flexnon Limited (a subsidiary of the Ciboney Group) for project development expenditure.

SEAWIND LE-MERIDIEN

The situation remains the same, that is, the project has approved government funding of US\$12 million but there have been no new developments.

NEW THRUST IN INVESTMENT & TRADE PROMOTION

**Section II:
STRATEGIES & ANALYSIS
BY SECTOR**

**JAMPRO
Jamaica Promotions Corporation**

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NEW THRUST IN INVESTMENT & TRADE PROMOTION

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5.0) STRATEGIES & ACHIEVEMENTS BY SECTOR

5.1) Manufacturing

5.1.1) Light Manufacturing and Non-Metallic Minerals

Areas of focus will be in Light Manufacturing and Non-Metallic Minerals, with **Textile and Sewn Products** being the area of priority in the Light Manufacturing sub-sector. In **General Manufacturing**, the areas for priority will include footwear, furniture and wooden products, electrical and electronic sub-sectors.

In the **Non-bauxite Mineral Sector** the product areas to be promoted will be sand and gravel, limestone, lime, whiting, calcium propionate, calcium stearate, clay marble, mineral springs and semi precious stones.

Efforts will be made not only to increase investments and trade in these areas but to encourage producers to move from the primary stages of production to more value-added production for export.

5.1.2) Textile and Sewn Products

OVERVIEW

The Jamaican Apparel sector comprises approximately two hundred and fifty plants (250) employing some 28,000 people. Annual exports for 1996 were approximately U.S. \$ 538 million, and the sector is made up mainly of foreign owned companies involved in 807/ 807A production. These foreign companies were responsible for approximately 75% of 1996 exports.

The apparel industry continues to be the most significant contributor to G.D.P. in the non-traditional manufacturing sector. It was responsible for more than 50% of total non-traditional exports in 1996. The sector up until 1995 has had an annual average growth rate of some 28%.

The last 18 months have been characterized by concurrent events in the domestic and international environment which have resulted in a sequence of closures. Most significant in the international environment has been the effect of the implementation of the North American Free Trade Agreement (N.A.F.T.A.), which has resulted in American manufacturers shifting their off shore apparel sourcing to Mexico.

In the Domestic market; increasing operational costs, the high cost of finance and the recent currency revaluation have exacerbated the problems facing apparel manufacturers in their efforts to become internationally competitive.

SPECIAL:ASSISTANCE PROGRAMME

A comparative analysis of the industry was conducted by Kurt Salmon and Associates, " to identify and measure the strengths and weaknesses of Jamaica's competitors in order that appropriate strategies can be developed to enhance Jamaica's position in the global market". The study concluded that Jamaica was no longer one of the lowest cost options but one of the higher cost options for apparel sourcing in the Caribbean Rim.

In the context of the difficulties facing the industry , in December 1996, approval was given for the provision of J\$ 200 million for a special programme of assistance for the apparel industry. The programme consists of two phases.

Phase 1 (\$40 million), was completed in May 1997 and was geared towards stabilizing the industry. The structure of the second phase (J\$160 million), was approved in August 1997. With the implementation of Phase I, some 46 companies benefited from assistance. The industry saw a dramatic decrease in the rate of closures and a net increase in imports of some 1.63% for the first six months of 1997(when compared with the same time period in the previous year).

The second phase of the programme has as its mandate, the implementation of specific measures geared towards retaining the current industry base as well as facilitating the development of the industry toward higher value added areas of apparel manufacturing.

The structure of the second phase which was approved by cabinet in August, has been designed to build on the first phase stabilization, by implementing development oriented strategies for the Industry. The second phase of the programme provides for financing to the industry in the areas of working capital, debt restructuring, and retooling, audit grants, security strengthening, an extension of Phase I of the programme, the reduction of certification fees, and an Industry marketing programme.

The full implementation of Phase II is currently underway, spearheaded by a JAMPRO led implementation management committee.

2. JAMPRO - TEXTILE & SEWN PRODUCTS DIVISION

During 1996/97 the Division facilitated the implementation of eight (8) investment projects with a total investment value of J\$ 143.4 million, generating employment of some 245 workers, and secured contracts totaling J\$150million. On the trade

promotion side the Division coordinated the industry's participation in 7 trade shows and participated directly in 3.

STRATEGIES FOR TRADE & INVESTMENT IN THE APPAREL SECTOR

1. A strategic planning approach to the development of the Industry

From the strategic planning perspective, JAMPRO executive management has established a framework for approaching our economic development mandate in each sector. This framework involves the development of 3 year sector plans for each sector, and the development of 1 year marketing plans for each year to bring the three year vision to implementation. The National Industrial Policy has been used as the context for the planning process, with particular attention paid to the concepts of value added, import substitution, export push, and establishing the strategic alliances necessary (Locally and internationally) to achieve implementation success.

The vision for the apparel industry is to enhance the economic value of the industry by moving away from the low value assembly end of the industry, into the higher value added end (characterized by “full package”, and “own label” producers).

This represents a departure from our most recent strategy which has been to build the countries ‘apparel capacity’ by increasing volumes and investment in the low value assembly end of the industry.

The dynamics of transition and development are taken into consideration both in the 3 year and 1 year planning process. This includes taking into account the Jamaican macro-economic environment (cost of finance and infrastructure), maximizing our current competitive advantages, training our management and labour force, and using strategic alliances to build market competence and product innovation.

In the context of the difficulties being faced, and the challenge of transition, the Division has maintained very close contacts with apparel manufacturers and has been instrumental in generating, facilitating and executing solutions like the Apparel Industry Special Assistance Programme.

Apparel sector meeting have been scheduled to strengthen relations and to stimulate the input of the apparel sector. Further to this the Division in collaboration with JAMPRO's Information Systems Department has established an apparel website for the industry.

The Division is also working with the Productivity Division and JAMPRO's Resource Center to enhance the industry support services offered by JAMPRO, particularly in the areas of training and technical services for the apparel industry.

More recently; to re-establish the industries image in the international market place, the Division has been responsible for coordinating industry participation at the AAMA Bobbin show to be held in Atlanta later this month. This trade show is the largest apparel industry show in the United States and will showcase Jamaica as the **premium apparel investment location**. This year's presentation at the show has been significantly enhanced to include the range of support services available in Jamaica in addition to exhibiting top Jamaican manufacturers in the 807, CMT and Full Package / Own Label categories.

3. The Industry Advisory Council (I.A.C.) - The Apparel Sector

Over the last two months JAMPRO has taken proactive steps in facilitating the formation and operations of the Industry Advisory Councils spoken to in the National Industrial Policy (N.I.P.).

The Industry Advisory Council (for the apparel industry) has provided the opportunity for coordinated input into the development process. To date two meetings have been held of the Apparel Industry I.A.C., and subcommittees have been established to take a strategic look at specific areas of the industry.

The Apparel Industry I.A.C. will be an important vehicle for the industry, and will require a strategic and solutions oriented approach from the sector. The conclusions drawn by the I.A.C. will be presented to the Development Council in the first quarter of the calendar year 1998.

JAMPRO continues to work very closely with the apparel industry to maximize the benefits of this process.

Libraries

5.1.2) MINERALS & CHEMICALS

OVERVIEW

The island's industrial mineral sector continues to display much promise for the future. Although the production of limestone (for aggregate purposes) declined by 1% reaching 3.3M tonnes in 1996, the export of high purity limestone (whiting) increased by 40% reaching 78,020 tonnes in 1996. The decline in production of aggregate is as a result of the reduction in demand for the product in the building industry.

The sector enjoyed increased production in gypsum (a 63% increase) with principal exports to the Caribbean and South American marketplace. Sand & Gravel also showed increased production and marble was the only targeted product which experienced a 29% decline. This was due to paucity of capital for investment, and production problems within the sub-sector.

Although manufacturing led the decline in export revenues for the period January to June 1997 (by 11%), Mining & Quarrying showed an increase in export revenues increasing by 3% to J\$302M. This was due to increased shipments of bauxite, good prices for alumina, and increased shipments of gypsum and limestone (whiting).

Chemical exports improved by 23% to J\$16M and the main exports were alcohol, and inorganic chemicals - alum, & sulphuric acid.

FOCUS

The Division focused on three (3) main areas:

- a) Increased Trade & Investment in NON-METALLIC MINERALS;
- b) Industry Research & Promotion of the CHEMICAL Sector; and
- c) Increased Investment & Promotion of ALTERNATE ENERGY.

Achievements in the above mentioned areas of focus include:

- 1) The non-metallic mineral sector which attracted investment of J\$566M and provided employment for 104 persons (1996 -97) .
- 2) Facilitation in providing incentives for the mineral sector, with three (3) new companies receiving tax, and duty concessions. (Two local investors and one overseas player.)
- 3) Facilitation in providing incentives for the energy sector, which is a fledgling sector. There has also been the attraction of J\$4.2M of investment and a start up employment of 8 persons.

STRATEGIES & ACHIEVEMENTS OF SECTOR.

The following STRATEGIES are being used:

- 1) Long Term Planning for Sector;
- 2) Aggressive approach to attracting investors (both local & overseas);
- 3) Client oriented approach to investment
- 4) Development of a marketing strategy for the Sector.

The following are the **ACHIEVEMENTS** in the sector:

1) LONG TERM PLANNING FOR SECTOR

A three (3) year sector development plan is being done with annual marketing plans. A marketing plan for Industrial Minerals was done in 1996/97 and a new plan (Draft) for 1997/98 is available.

The plans have clearly defined target sectors

- LIMESTONE, MARBLE, GYPSUM & MINERAL WATER.

which will involve

- a) MARKET PENETRATION - Export Vol./Import Substitute
- b) MARKET DIVERSIFICATION - Products, Markets, Initiatives
- c) INVESTMENT - Projects and Special Programmes
- d) INTERSECTORAL LINKAGES - Value added products, infrastructure development.

DEMAND FOR LIME IN JAMAICA.

The Division recently published a document entitled " The Demand for Lime in Jamaica (Quick Lime and Hydrated Lime) 1990 - 1996 and projected demand and supply analysis 1997 - 2000. Copies have been requested by overseas investors and will be sold by JAMPRO commencing mid September 1997.

2) PROACTIVE APPROACH TO ATTRACTING INVESTMENT

IMPLEMENTED PROJECTS

The Division has implemented 3 projects over the period April 1996 to June 1997, with capital investment of J\$570M and employment for 112 persons. Areas of investment include lime (2) and alternate energy (wind) .

Facilitation services and "after care" support is ongoing to these investors with high quality project handling with administrative approval processing, and technical assistance. e.g. Technical Assistance is being given to Western Cement Co., Clarendon Lime Co. and facilitation of incentive approval is being provided to Suncurrent Industries.

PIPELINE PROJECTS

The current pipeline portfolio includes eight (8) projects with capital investment of J\$4.8B and employment of 425 persons. Areas of investment include lime, gold, whiting, specialty steel/ cogeneration and marble. An additional four (4) new projects are being added this month, with capital investment of J\$525.8M and employment for 170 persons. Areas include recycled waste and energy, limestone and gypsum tiles & wallboard.

3) CLIENT ORIENTED APPROACH

The Division has a portfolio of 116 clients, 60% of which are Minerals and the remainder Chemicals and Alternate Energy clients islandwide.

Approximately 40 site visits and client interactions were undertaken during the last fiscal year, (April 1996 - March 1997) in order to identify the needs and key issues for the industry.

The main promotional material generated by the Division are:

- a) The use of the INTERNET by clients to advertise their product. To date, at least three (3) producers have received enquiries as a result of the exposure to the international marketplace. The Division assisted in developing information for the clients as a part of the cost recovery programme.
- b) Production of a brochure in 1995 and also a newsletter (bi-annual) MINCHEM published in January 1997 and September 1997.

4) MARKETING STRATEGY

A) INTERNET

The Division has used the internet (JAMPRO's HOME PAGE) as a medium to market the island's natural resources to the overseas market.

B) INDUSTRY ADVISORY COUNCIL - NATIONAL INDUSTRIAL POLICY

Private and public Sector linkages have also been created with regular sector meetings chaired by JAMPRO.

The launching of the Industry Advisory Council FOR CLUSTER 5 (Minerals, Chemicals, Caustic Soda, Ceramics) in June 1997, has been a key fora for the partnership approach between the private and public sector and JAMPRO, to deal with the problems, and issues affecting the industry. The marble industry operators have met with the IAC Chairman (September 5th) and meetings are planned for other sub-sector groups for the next 6 weeks.

C) VALUE ADDED MARKET FOCUS

Ground Calcium Carbonate (GCC), Lime and Gypsum Tiles & Wallboard are three (3) products which the Division is promoting. Efforts are being made to add value to crushed limestone (raw ore) and gypsum, by giving technical assistance to players, listed below, which will result in them satisfying export markets with high quality and high value products.

The Division currently services Hodges Minerals, (GCC) St. Elizabeth, Western Cement Co., (LIME), Clarendon Lime Co. (LIME), Lydford Mining (WHITING) and GSP Gypsum Ltd. (WALL BOARDS & CEILING TILES).

D) OTHER DEVELOPMENT PROGRAMMES

TARENTUM INDUSTRIAL PARK

The Division is also working on investment attraction in TARENTUM INDUSTRIAL PARK, Tarentum, Clarendon.

The Park is ideally located for industrial development and since July 1996, there are two (2) investors who are interested in locating in the Park. One is a lime operation and the other a high grade steel manufacturing plant. Discussions have been finalized between the Division, FCJ, NIBJ and Chemical Lime Co. for the lease/purchase of lands in Tarentum. The other investor is still in negotiations for their lease/purchase option agreements.

OTHER INTER-SECTORAL LINKAGE PROJECTS

Discussions and initiatives are ongoing in the following areas:

1) MULTI-PURPOSE PORT FACILITY -

A) NORTH COAST

- Jamaica Bauxite Mining (JBM) Port, St. Ann

The JBM Port facility currently facilitates shipments of whiting to North America and discussions have taken place with JAMPRO, Managing Director, JBM with a view to granting greater assistance to the limestone industry and the required expanded facilities of the port.

B) SOUTH COAST

- Luana, St. Elizabeth and Salt River, Clarendon.

The current Luana/Scott's Cove area in St. Elizabeth is being examined by industry players for use as a bulk shipment port. Discussions have taken place with JAMPRO, Port Authority of Jamaica (PAJ) (feasibility study), industry operators and PCJ. (Leassors of land).

2) LIME AND STEEL MANUFACTURE AND CO-GENERATION OF ELECTRICITY.

ZIA METALLURGICAL PROCESSES INC. (HIGH GRADE SPECIALTY STEEL)

Discussions are ongoing with a major investor - Zia Metallurgical Processes Inc. and JAMPRO, JPSCo, and MPUT & E to negotiate contract offers and feasibility of co-generation from the steel investment. The high grade specialty steel plant would co-generate energy and in plant power use is projected at 9.05M Kwh/year with 25.4M Kwh/year for export to the public grid. The initial micro mill would use 2.5M Kwh/year (i.e. electric power).

3) MINERAL WATER/SPAS AND HEALTH TOURISM.

Discussions are ongoing with NIBJ, JAMPRO to divest the island's mineral spas to investors who have shown interest in the mineral waters. Interests have been forwarded to NIBJ by JAMPRO . Discussions have centred around development of the natural resources especially in light of the fact that the Jamaican resource is world renowned and also market competition from Cuba. (Mineral Water and Spas).

Libraries

GENERAL MANUFACTURING

OVERVIEW

Under Strategic Industry Cluster number four (4) identified in the National Industrial Policy, the sub-sectors excluding apparel, which fall under Other Light Manufacturing constitute the portfolio of the General Manufacturing Department. Based on the relative stagnation and contraction in Manufacturing's share of Gross Domestic Product (GDP) slipping from 21.2% in 1990 to 18.1% in 1996), a creative, aggressive, and innovative strategy is called for to arrest and reverse the decline in some sub-sectors and to spawn the development of new sustainable high value-added growth poles in others. The need for an expansion in activity is also underscored by 1996/97 performance in which four (4) projects were implemented with a capital investment of J\$23.85M and creation of employment opportunities for 19 persons. For 1997/98, investment targets have been set at J\$300M with the creation of 500 jobs from 11 investment projects, of which two (2) have so far been realized with a capital investment of J\$16.5 M while several others are at an advanced stage and nearing fruition . **Currently there are 13 investment projects with a total capital investment of J\$896.284 million in the pipeline.**

The development of these growth poles is also expected to assist the process of increasing the contribution of manufactured exports to GDP. The main sub-sectors targeted for investment and trade activity over the next three years are presented below:

- Furniture and Wooden Products
- Footwear and Leather Products
- Electrical and Electronic Products
- Packaging and Plastic Materials
- Pre-engineered Housing components
- Metal products
- Printing and Paper Products
- Vehicular Assembly

The rationale behind the selection of these areas of focus, does not necessarily imply unbounded opportunities to either invest or trade in all product areas within each sub-sector mentioned, but rather reflects the determination to capitalize on all opportunities within specific niches in these respective areas while addressing weaknesses and constraints affecting positive growth.

Overviews, new thrusts and strategies for these eight (8) sub-sector areas of trade and investment focus mentioned above are presented below:

Furniture and Wooden Products

In terms of structure, there are:

- Six (6) main firms with fifty (50) or more employees
- One hundred and thirteen (113) firms with ten (10) or more employees
- Approximately five hundred (500) small and cottage-industry-type firms supplying the local market. The product range includes household furniture, office furniture and occasional pieces with the main **export item being antique reproductions.**

Export Sales - 1996 US\$3.3M - Domestic Producers

Employment 4,300 (in 1995)

Imports 1996 US\$22.3M

The main thrusts in this area relate to retooling with a view to increased efficiency and reduced cost of production, research into the uses of as now meet of alternative woods such as bamboo and environmentally-friendly substitutes such as gypsum fibre-board, marble and engineered plastics.

Current Investment and Trade Targets

- Market penetration - expansion of exports to Caricom/ Cariforum and the North American market, import substitution locally. Foreign exchange earnings to go up by 50% to US\$5M
- Investment - US\$1M & creation of 100 jobs.
- Diversification - Incorporation of new designs

- Intersectoral linkages - regional accommodation sector
- Organization - Furniture Manufacturers Network

Major strategies to be pursued include:

- Training and technical assistance in conjunction with the Productivity Centre
- Market research on the markets for antique reproductions in Latin America and the USA.
- Study on Caricom and European markets for local furniture to be pursued.
- Staging a major exhibition of local furniture
- Strategic alliances with Swedish interests to penetrate the regional hotel/accommodation market for furniture.
- Training seminars to be organized for smaller furniture manufacturers with a view to enhancing skills in furniture design, finishing and costing techniques.
- Attendance at major furniture shows in- London and USA.
- Discussions with FIDCO and other agencies regarding tree-planting exercises to ensure raw material supply.
- Exhaustive list of all furniture companies to be compiled in keeping with proposal from Canadian Executive Services Overseas (CESO).
- Efforts to create Furniture Manufacturers Network targetting smaller producers who could benefit from joint marketing efforts and from sharing production facilities and technology.

Footwear and Leather Products

In terms of structure, the sector comprises some four main (4) manufacturers with over twenty (20) employees and is supported by a tannery which employs 85 persons and has remained operational since its formation back in 1970 despite the closure of several client firms in the intervening years. There are also some fifteen (15) firms with over ten (10) employees engaged in the production of footwear and leather goods on a smaller scale.

Export Sales - 1996

- US\$1.5M - Domestic Producers
- US\$5M - Free Zone

Employment

- 700 persons within Customs territory
- 260 Free Zone *

Imports 1996

- US\$11.3M
- The Free Zone company closed earlier this year due to the bankruptcy of its parent company in Korea.

Current Investment and Trade Targets

- Market penetration: expansion of exports to Caricom/Cariforum, achieve domestic penetration of North American market. Foreign exchange earnings to increase by 50% to US\$3M.
- Diversification - lined leather sandals, knitted casual wear, up market dress shoes, running shoes.

Intersectoral linkages - development of tourism and reggae footwear segments.

- Investment - US\$2M and creation of 100 jobs.

Major strategies to be employed:

- Staging a major exhibition of local footwear to stimulate local brand recognition/awareness
- Technical assistance to upgrade local skills, re-orient production methods to improve quality and focus.
- Study on Caricom and North American markets to be pursued.
- Attendance at a major North American footwear show
- Strategic alliances with at least one North American manufacturer, also with Italian/Spanish footwear designers.
- Reggae footwear and tourist footwear segments to be examined.
- Work with HEART to get Footwear option incorporated in training programmes offered.

Achievements and Performance to date

- With the closure of the Korean company mentioned above the majority of its workers have since been reabsorbed (in footwear and other sub-sectors). The market has not been lost and is expected to be consolidated and ultimately expanded within the current expansion plans **of a local company**.
- This is represented by a pipeline project with a capital investment of approximately J\$8.0M that is being actively facilitated. Much of the equipment required for expansion has already been imported and the commencement of operations is anticipated by January 1998.
- A second expansion project in footwear is currently under discussion.

Electrical and Electronic Products

In terms of structure, there are three (3) large firms, seven (7) small to medium-sized firms producing items such as electrical appliances, electrical wiring and cable, transformers and power supplies.

Export Sales - 1996 US\$2.4M - Domestic Producers

Employment 1,000 (approximately)

Imports 1996 US\$221.1M

The main investment thrust relates to the production of electrical apparatus, power supplies and transformers.

Current Trade and Investment Targets

- Market penetration - export expansion within Caricom/Cariforum and the US market. Foreign exchange earnings to increase by 50% to US\$3.6M.
- Investment - US\$3M & creation of 200 jobs, also targetting technology sharing joint ventures from South Korea, Malaysia and North America.
- Organization - Strategic alliances to be pursued with major multinational producers such as Daewoo of South Korea.
- Alliances to be strengthened with depts. dealing with electronics at UWI and UTECH, in particular to look at possible automation and computer aided manufacturing systems.
- Intersectoral linkages - Computer -aided manufacturing systems
- Training needs assessment study to be looked at for development of advanced skills in electronics/microelectronics components in conjunction with the Productivity Centre.

- In-plant consultancies to be pursued to upgrade production methods and efficiency.
- Assistance to be provided in export expansion within CARICOM/CARIFORUM and Cuba.

Achievements and Performance to date

- Based on the Official Mission staged recently, a major export contract valued at some US\$3M is under discussion relating to the possible supply of transformers to Cuba which is being actively facilitated.
- Strategic Alliances with Spanish firms are being pursued with the assistance of the External Funding Department and a consultant visited Jamaica recently on the first leg of a Programme for partnerships between Caribbean and Spanish companies sponsored by the Centre for Development of Industry (CDI).

Packaging and Plastic Materials

The packaging sub-sector comprises producers of glass bottles, metal cans, corrugated boxes, and a range of plastic products (bottles, bags, wrappings, etc.). There are approximately twenty (20) main producers of these items.

Local Sales Estimated at J\$3 Billion for 1996

Employment 2,500 (approximately)

The main investment and trade thrust relates to the production of plastic bags, plastic water tanks, and other types of plastic containers. Major strategies in keeping with this thrust are as follows:

- Active promotion of technology sharing joint ventures and sub-contracting with partners from Developed Countries
- Technical assistance support to manufacturers through JAMPRO's Productivity Centre and External Funding Departments.
- Training programmes and workshops in costing, quality management, and other areas to continue through JAMPRO's Productivity Centre.
- Actively facilitating retooling and expansion efforts, particularly those with clearly defined local market penetration and export plans.
- Aggressive client servicing programme to acquaint manufacturers with ways of meeting their technology, equipment, marketing and financing needs.

Achievements and Performance to date

- Three projects in plastics implemented between April 1996 and August 1997 with a capital investment of approximately J\$21M.
- One new pipeline project being actively facilitated with a capital investment of J\$14M.
- A major expansion is under discussion involving one a large producer of plastics who wishes to build additional factory space with a capital investment of approximately J\$300M.

Pre-engineered Housing Components

The housing components sub-sector is a new area of manufacturing effort which recognizes that with modern technology, high quality components can be competitively produced, transported locally or exported elsewhere and assembled to developed country standards, right here in Jamaica. Apart from creating a potential long term solution to housing shortages, the huge savings from these systems influenced by advantages such as speed of construction, flexibility in design, fire, termite, hurricane and earthquake resistance (to developed country standards) and their low skill requirements outside of existing competencies, make them an ideal candidate for an innovative deepening of process within the construction

industry drawing on the existing support services and inputs in engineering, architecture, urban planning, and other related areas.

While components are being imported in small quantities, the primary investment thrust therefore relates to the manufacture of these pre-engineered components here in Jamaica for local and export markets. The main strategies proposed for the manufacture of housing components and related housing and commercial/industrial property development are as follows:

- Active promotion of land acquisition through joint ventures with the Ministry of Environment and Housing including requesting duty and GCT exemptions in respect of machinery and equipment to be imported for manufacturing (high value-added) pre-engineered housing components. While companies proposing to build houses would embody an **added forwardly integrative step**, companies proposing to set up factories exclusively would also be encouraged due to the high value-added exports anticipated.
- Strategic Alliances with the Ministry of Housing, Town Planning Department, Engineers, Planners and other players in the construction process.
- Intersectoral linkages between metal products and construction sub-sectors. Specifically the active facilitation of the production of raw materials for conventional construction such as nails and roofing sheets, thereby increasing local market penetration through import substitution and

diversifying the range of products offered. Emphasis would be on retooling existing operations through incentives administered by JAMPRO's Productivity Centre.

Achievements and Performance to date

- Two new pipeline projects representing the manufacture of pre-engineered housing components through joint ventures with the Minister of Housing, representing total development cost of approximately One Billion Four Hundred Million Dollars (J\$1.4B) (some 1200 houses are to be constructed over three years). One of these have already received incentives through the Ministry of Finance and is expected to be operational before the end of this year. Each project would create approximately one hundred (100) new jobs.
- One existing factory proposal nearing pipeline status and two new factory proposals under discussion, one of which would have the capacity to produce one thousand houses per year, half of which would be exported within CARICOM based on an initial capital investment of approximately US\$11M (J\$385M).
- Further steps to strengthen strategic alliances with the Ministry of Housing and the Government Town Planner were recently taken.

Metal products

The metal products sub-sector includes manufacturers of roofing materials, industrial castings such as fire hydrants and sugar mill rollers, machined tools, dies and replacement parts, nails, cans and scrap metal fabrication. The main investment thrust relates to increasing our capacity to produce high-quality machined parts, metal fittings and also increased mould-making capabilities. This will ultimately create important linkages for manufacturers in many industrial environments and provide a vehicle for retooling various enterprises. The main strategies to be pursued in relation to this trade and investment thrust include:

- Active promotion of technology sharing joint ventures and sub-contracting with partners from Developed Countries, also to continue to agitate for the extension of technical assistance support to manufacturers through JAMPRO's Productivity Centre and External Funding Departments.
- Training programmes and workshops in costing, quality management, and other areas to continue through JAMPRO's Productivity Centre.
- Actively facilitating retooling and expansion efforts, particularly those with clearly defined local market penetration and export plans.
- Extensive programme of client servicing to acquaint manufacturers with ways of meeting their technology, equipment, marketing and financing needs.

Achievements and Performance to date

- One new pipeline project reflecting new investments and expansions in production of nails and roofing materials, representing the introduction of contemporary technology. A second existing pipeline project in scrap metal fabrication.
- One large contract being pursued in relation to industrial castings, valued at over One Hundred Million dollars.

Printing and Paper Products

Printing will continue to be an important player in the process of meeting packaging and stationery needs, as well as in maintaining existing packaging standards in cases where they are adequate. The main investment thrust relates to the encouragement of retooling and expansion of printing operations to incorporate equipment which allows higher quality printing, added flexibility with smaller runs and can be more competitive in terms of cost. With regard to paper products, the main investment thrust relates to the establishment of a waste paper recycling operation.

The main strategies to be pursued include:

- Strategic alliances to be strengthened in relation to operations producing significant quantities of waste paper as well as the private and municipal collectors of this waste.
- Active promotion of technology sharing joint ventures and sub-contracting with partners from Developed Countries, also to continue to agitate for the extension of technical assistance support to manufacturers through JAMPRO's Productivity Centre and External Funding Departments.
- Training programmes and workshops in costing, quality management, and other areas to continue through JAMPRO's Productivity Centre.
- Actively facilitating retooling and expansion efforts, particularly those with clearly defined local market penetration and export plans.
- Extensive programme of client servicing to acquaint manufacturers with ways of meeting their technology, equipment, marketing and financing needs.

Achievements and Performance to date

- One major investment project in printing involving the acquisition of approximately US\$0.4M (J\$14M) under discussion.
- **Export orders being actively pursued in relation the possible exportation of paper products to Cuba, based on the recent official Mission.**
- A major waste paper recycling operation in South Korea has been identified which proposes the establishment of a waste paper milling operation locally. This enquiry is being actively facilitated and other investments in environmentally-friendly recycling operations targetted. A capital investment of as much as Two Hundred Million Dollars (US\$200M) or J\$7B has been suggested, though discussions are still at an early stage.

Vehicular Assembly

The vehicular assembly sub-sector embraces the manufacture of motorcars, motorcycles, bicycles, personal watercraft, boats, training planes and has the potential to develop into not only a significant employer of unskilled labour within Other Light Manufacturing, but also to contribute significantly to export revenues, based on the incorporation of state-of-the-art technology, say in the manufacture of training planes. The immediate trade and investment thrust is in the area of motorcars where import substitution benefits and also export earnings are anticipated. The main strategies for increased investment and trade are:

- Actively facilitating the development of motorcar assembly including obtaining approvals in respect of these vehicles as well as incentives on the importation of equipment, machinery and raw materials used in their manufacture.
- Actively facilitating retooling and expansion efforts, particularly those with clearly defined local market penetration and export plans.
- Extensive programme of client servicing to acquaint manufacturers with ways of meeting their technology, equipment, marketing and financing needs.

Achievements and Performance to date

- One pipeline project with a capital investment of Forty-Two Million (J\$42M) being actively facilitated. Prototypes have been tested and funding is now being sought to enter into commercial production.
- Strengthening of strategic alliances with Island Traffic Authority and other relevant agencies and offices of Government.
- Identification of Major North American producer of training planes to place training plane assembly plant in Jamaica. However, Government guarantees from the Ministry of Finance were requested to secure financing and these could not be obtained, hence the project was lost.
- **Venture under discussion between local entrepreneur and Cuban counterpart concerning the assembly of motorcycles in Jamaica as a result of the recent Official Mission to Cuba. A pilot operation appears most likely initially after which further discussions are expected to continue.**

5.2 SERVICES

TOURISM

Tourism remains the leading industry worldwide.

On the international level as arrivals increased gross receipts amounted to US \$423 billion which is an increase of 7.6% over 1995.

The World Tourism Organization (WTO) projects that world tourism will continue to grow by an average of 4% per year for the rest of the decade to reach 700 million international arrivals and over US\$600 billion by the year 2000.

By the year 2010, international travel worldwide is expected to reach 1 billion and tourism revenues will reach US \$1,550 billion annually.

Growth in GDP was modest in 1996, ranging from 2-3% in the major generating countries.

CARIBBEAN OVERVIEW

TRENDS

The Caribbean is attracting investment from major chains in large up market resorts as well as timeshare.

International financial institutions such as International finance Corporation (IFC), the

International financial institutions such as International Finance Corporation (IFC), the European Investment Bank (EIB) and the Commonwealth Development Corporation (CDC), are also active in financing the region's tourism industry. They focus on larger investments as well as financing hotels and infrastructural projects.

SPENDING PATTERNS

During the year 1995, visitors to the Caribbean spent an estimated US\$12.7 billion. By far the largest part of this spending (93%) was by stop over tourists, with the balance coming from cruise ship visitors. Over the past five years the Caribbean has outperformed the world average in the growth of visitor expenditure.

At US\$861.00 spending per tourist in the Caribbean is 31% higher than the world average of US\$656.00.

ROOM NUMBERS

There are currently 173,000 hotel rooms in the Caribbean, compared to 132,000 in 1990 and 84,000 in 1980 - an average growth rate of 5.6%. With the exception of Mexico, the country with the most rooms in the Caribbean is the Dominican Republic, which had over 32,000 rooms in 1995, compared to only 3,800 in 1980 and 20,000 in 1990.

Running some 10,000 rooms behind is Cuba, with 24,000 hotel rooms. Jamaica ranks third, with approximately 20,896 rooms.

JAMAICAN OVERVIEW

The Government has streamlined incentives to stimulate investment in the accommodation sector under three major Acts. The Hotel Incentive Act, The Resort Cottages Incentives Act; and The Hotel Refurbishing Act. Similar measures are now

being undertaken to introduce incentives in the attractions sub-sector.

EMPLOYMENT

In Jamaica, a total of 28,182 persons were directly employed in the accommodation sector in 1996, which was a 1% increase over the previous year.

Ocho Rios provides the largest percentage (33.5%) of employment among our resort areas. Montego Bay ranks second with 31.2%.

EXPENDITURE

Tourist expenditure amounted to US\$1.128 million during 1996, an increase of 5.6% over 1995.

60.6% of expenditure was in accommodation for stop over visitors. Shopping accounts for 72.2% of the expenditure of cruise ship passengers.

OCCUPANCY

The Jamaica Tourist Board projections show almost a 20% rise in new rooms over the next three years.

Average hotel room occupancy for Jamaica was 57.7%, notably, however All Inclusive hotels experienced average occupancy of 71% versus a low of 47.9 % for non all inclusives.

INVESTMENT

Air Jamaica and Delta Airlines have formed a new alliance which will open new markets. In addition, it is expected that the Air Jamaica hub opened in Montego

Bay will increase visitor flow to the island.

The National Investment Bank of Jamaica (NIBJ), Trafalgar Development Bank (TDB) and the National Development Bank (NDB) disbursed a total of J\$2775.8 million to the tourism sector in 1996.

The Jamaica Tourist Board assists in cooperative advertising and cost sharing with the private sector to maintain visibility in the market place.

JAMPRO & TOURISM DEPARTMENT

NEW THRUSTS

The Tourism Department continues to promote investment in the traditional areas; that is in All Inclusive (AI) and European Plan (EP) hotels. In keeping with the National Industrial Policy, the Department is assisting in encouraging investments and making in roads which will assist in improving and diversifying the tourism product.

Areas being developed include:

- | | |
|-----------------------------|--------------------|
| ◆ Eco/Nature Tourism | ◆ Health |
| ◆ Heritage/Cultural Tourism | ◆ Attractions |
| ◆ Entertainment | ◆ Sports |
| ◆ Conventions | ◆ Family |
| ◆ Shopping | ◆ Retirement Homes |

INTRA-SECTORAL LINKAGES

Maintaining good relationships with our partners in the industry is one of the keys to progress; JAMPRO's Tourism Department has worked in co-ordination with relevant

Government Ministries, agencies and other industry players taking the lead role where it is deemed necessary for the industries' benefit.

The Department and its alliances are constantly involved in addressing the needs and problems relating to the sector. Some organisations with which we have teamed are:

- | | |
|--|--------------------------------------|
| ◆ Office of the Prime Minister (Tourism) | ◆ Jamaica Tourist Board |
| ◆ Tourism Product Development Co | ◆ Resort Boards |
| ◆ Ja. Hotel & Tourism Association | ◆ Ja. Assoc. of Villas & Apartments |
| ◆ Jamaica National Heritage Trust | ◆ Assoc. of Jamaica Attractions Ltd. |

Some of the accomplishments which have been achieved through these alliances are:

PROMOTIONAL & OTHER MARKETING EFFORTS

Activities include:

- ◆ Presence on JAMPRO's website
- ◆ Preparation of marketing plans for use and sale
- ◆ Sale of the Department's Tourism Manual
- ◆ Attendance at relevant trade shows
- ◆ Preparation of publication for information and promotions
- ◆ Lobbying for special needs of small hotels eg. access to credit for expansion and refurbishing for hotels which have been affected by competition from all inclusives
- ◆ Advise and processing of incentive applications
- ◆ Packaging opportunities in the sector
- ◆ Applying for and expediting approval processes on behalf of clients
- ◆ Taking a lead role in the restoration and redevelopment of Portland
- ◆ Contacts have been made with several major international resort chains that have shown interest in developing in Jamaica

CONSTRAINTS

- ◆ High interest rates are deterrents to investors
- ◆ Development and commercial financing agencies are unresponsive to the needs of clients with Attractions projects
- ◆ No policy on timeshare
- ◆ Approval process at Ministries and agencies is lengthy
- ◆ Un-coordinated planning for infrastructural improvements

ACHIEVEMENTS

- ◆ For the fiscal year 1995-1996, the Tourism Department implemented a total of seven (7) projects with a Total Capital Investment of Ja\$1.257 billion, an increase of 365% over the previous year. Employment was 406 a 366% increase over the fiscal year 1994-1995.
- ◆ During the fiscal year 1996-1997, the Department implemented ten 10 projects with Total Capital Investment of JA\$ of 2.24 billion and employment of 633. This represents a 78.2 % increase in capital investment an 56 % increase in employment over the previous year.
- ◆ The successful lobbying of Cabinet for its approval of a submission to provide incentives for tourism attractions.
- ◆ Playing a significant role on the Enterprise Team regarding the development of Port Royal.
- ◆ Playing a lead role in the restoration of Falmouth, Trelawny, as a major heritage tourist attraction.
- ◆ The Tourism Department is currently servicing over ninety (90) clients. They comprise forty five (45) projects in the pipeline, twenty nine (29) prospects and over twenty others which include clients with implemented projects for after care and clients with properties for development and sale.

Projects in the pipeline as at July 1997 totalled 36 projects with capital investment of J\$18445.15 million or US\$527 million and is budgeted to implement

- ◆ A minimum of ten projects with a total investment of JA\$4.2 billion for this fiscal year.

Libraries

FILM, MUSIC & ENTERTAINMENT

MUSIC

Music as a product, is divided into two categories: a) the **product is exported** to the foreign market (i.e. cassettes, cds and live performances) and b) the product that the customer **consumes by coming to live performance** (i.e. **Sunsplash, Sumfest, Sting** and recording)*. Export and domestic aspects of the product are further divided into:

- ! Recorded Music
- ! Live Performances
- ! Recording Facilities
- ! Themed Entertainment District/Season

It is the potential for revenue generation and job creation which must be the focus of government as the industry assumes its position in the revitalized infrastructure that will come to characterize the new Jamaican entertainment industry. The vast proceeds and benefits that will be derived from the repatriation of production revenue from Jamaican culture will be realized from a well-organized industry nurtured in a supportive business environment.

The global demand for the "Jamaica Sound"¹ and the advanced stage of the music as an export commodity demand that immediate and focused attention be paid to the structuring and development of the industry to facilitate the repatriation of derived and value-added benefits presently being realized by those players outside of Jamaica. The value of the "**Jamaica Sound**" like the "**Motown Sound**" or the "**Nashville Sound**", lie in the opportunity for multiple forward and backward linkages. The music industry can significantly widen the range of economic opportunities to individuals and enterprises alleviating problems of unemployment, (especially for the large population of Jamaican youth) and generate foreign exchange earnings on a sustainable basis".²

The Jamaican music industry provides opportunity for self-employment in a country with unemployment figures of approximately 16% of the working population of which 59.3% were youth (15-25 years).³ As a loosely organized industry, entertainment employees at least 15,000 Jamaicans directly including:

- ! **TALENT:** Artistes, musicians, producers, actors, models, dancers, media, choreographers, photographers, writers, directors, sound system operators, graphic artistes, athletes, coaches, trainers
- ! **SUPPORT:** Managers, booking agents, publicists, lawyers, accountants, bankers, merchandisers, retail and manufacturing outlets
- ! **TECHNICIANS:** Stage, lighting, video editor, camera persons, engineers
- ! **INDIRECT EMPLOYMENT:**
 accounts for: Designers, security personnel, vendors, teachers and advertising agencies

Jamaican music was born in the ghettos of Kingston and grew through the talents of the youth, many of whom had **little or no formal education or training**. The possibility of poverty reduction through the music is evidenced by the numerous success stories of artistes such as **Bob Marley, Buju Banton and Beenie Man**, whose roots are in the ghettos. The formalization of the industry will result in increased job opportunities for talent as well as those in the support services.

The fragmented approach which has characterized the Jamaican music industry has greatly contributed to the minimal portion of the Reggae pie now being received by Jamaicans. Many are earning considerable amounts for talent but as with the African-Americans whose creative input realizes disproportionately minimal returns, the creators of the **"Jamaican Sound"** deserve a much larger share of the profitable **Reggae** business. There is an imbalance between the amount of available talent and the vital support services such as management, finance, and promotion. Internationally, this fragmentation has led to the perception that Jamaica **"does not have its act together"** when it comes to the business of music.

The positioning of Jamaica as a country is critical to any efforts to market, not only Jamaican music, but all Jamaican products. This must be addressed as a matter of urgency and must take an integrated and comprehensive approach. Jamaica's most unique offering is its rich culture which includes music and sports. The world's respect for the country is based on the unique cultural expression of the Jamaican people, who like others in the African Diaspora, have been blessed with a strong spiritual presence, a wealth of creative talent and resilience to rise to new levels of excellence in spite of efforts to deny them basic human rights. Five target markets have been identified as targets for the 1996-97 marketing plan, each having a flagship country (Europe - France, Asia - Japan, Latin America - Brazil,,, North America - U.S., Caribbean - Jamaica).

MARKETING OBJECTIVES

The success of the marketing efforts is dependent on an integrated approach and the phased simultaneous development of the industry over a three-year period. The need to direct a centralized, **"In Your Face"** marketing programme will be the responsibility of the JAMPRO Film, Music and Entertainment Commission in conjunction with the relevant public and private agencies including the Jamaica Tourist Board and JHTA as well as the record companies, the Jamaica Federation of Musicians and the managers and producers. The 1996-97 Music and Entertainment marketing plan is designed to:

- ! Facilitate transition of the music and entertainment sector to a cohesive industry
- ! Increase the visibility of Jamaican music, services, products and by-products and the centralization of information
- ! Facilitate the repatriation of proceeds from these products and services into the Jamaican economy

SPECIFIC MARKETING OBJECTIVES*****

- ! To facilitate pipeline projects totalling JS\$142.8 million (J\$5 billion)
- ! Expanding consumer, industry and public awareness by 50% in financial year 1996/97

STRATEGIES FOR GENERAL ISSUES AFFECTING THE SECTOR

- ! Positioning of Jamaica in the international marketplace
- ! Utilized **MIDEM '97** as the springboard for both the short and long term development of marketing strategies focused on revenue generation for Jamaica
- ! The **amendment to the Motion Picture Industry (Encouragement) Act** to embrace the needs of modern film making, music and entertainment
- ! Public education campaign to disseminate information concerning the nature of the music business covering areas such as copyright, publishing, promotion, job opportunities and international marketing opportunities such as MIDEM
- ! The application of government incentives and facilitatory services
- ! On-going market research to gather intelligence on: existing needs, competitive analysis, new markets, new developments and trends to assist in the planning and development of effective marketing strategies
- ! The encouragement of the transfer of technology required to maintain Jamaica's position on the cutting edge when coupled with indigenous creative talent
- ! The dissemination of information regarding local investment opportunities to the local and foreign pool of investors
- ! The coordination of a national marketing programme involving relevant agencies such as the JTB and JHTA to effectively position Jamaica for the 21st century

- ! Initiate and strengthen **Strategic Alliances**
- ! Promotion of all Jamaica musical genres in relevant markets through both radio and television airplay as well as print, utilizing **MIDEM '97** as the springboard
- ! Facilitate transfer of technology
- ! Production and marketing of radio and television programmes on Jamaican culture as well as quality music videos
- ! Facilitate the packaging and presentation of music utilizing selling points from printed lyrics, covers of previous hits, foreign language recordings and crossover re-mixes to collectors' edition vinyl and CD box sets
- ! Aggressively marketing Jamaica's relatively untapped sources of quality music and entertainment products focusing on five target regions, represented by the flagship country - N. America (US), S. America (Brazil), Caribbean (Jamaica), Europe (France, the Pacific Rim (Japan)
- ! Improve distribution of musical product to the consumer in target markets
- ! Development of infrastructure and institutional strengthening of the Commission, Jamaica Federation of Musicians and the Entertainment Advisory Board

MIDEM '97 can be said to be the springboard for all future marketing activities. The attention of the world's music industry has been refocused on Jamaica.

THE CONCRETE BENEFITS OF MIDEM '97

(Six Months After the Trade Event)

The effort to mount Jamaica's national presentation at **MIDEM '97** has resulted in both tangible and intangible Benefits:

THE TANGIBLES

- Warner Brother's Deal

As a result of the MIDEM effort, JAMPRO is in negotiations with Warner Brothers' Record Company and its Children's label, Rhino Music regarding the production of a CD for children entitled **Bugs Bunny and Friends Sing Reggae**.

This unprecedented project will be based on a 10 track CD which will be recorded and mixed in Jamaica using a combination of Warner Brothers animated characters along with Jimmy Cliff and other Jamaican talent to introduce kids to Jamaican culture and music.

Strategically, this project is critical to the continuing efforts to reposition Jamaica's music internationally. JAMPRO will facilitate and oversee the project in an effort to strengthen this new strategic alliance and ensure a long-term relationship.

Plans are for the company to develop an animated series to Warner's main animated characters, an instrumental CD and possibly a movie of live and animated talent.

It is important to note that the Vice President of Warner's Worldwide Publishing, Michael Harkavy noted in his meeting with JAMPRO's representatives in New York, that the company became interested in the project as a result of the presentation in Cannes which he felt was extremely impressive. He additionally stated that the discussions he pursued with the team of Negotiators from the Entertainment Bureau, further convinced him that the project was "implementable".

- **Anchor Recording - "Daddy Rings"**

Daddy Rings, one of the emerging talent who performed at Cafe Jamaïque was invited to perform at the 10th Annual Golden Stag Festival in the medieval town of Brasov, Romania between June 23-28. The event which was broadcast to over 22 million people in Romania was a success as he got special mention. Interest in the artiste came as a result of his participation at MIDEM '97.

Past performers include Kenny Rogers, M.C. Hammer, Soul II Soul, Ray Charles. Dionne Warwick, Boy George and James Brown.

This is important as Reggae which is not widely-known in Romania was being promoted to a large audience of teenagers as MTV Europe Broadcast the event. The event therefore provides an entree into a market which is emerging within Eastern Europe.

- **Safehouse Music/"Powerhouse" Concept Resort Studio**

After ten (10) years stringent negotiations, Safehouse music Limited and London-based Lawless finalized a joint-venture deal to replicate the world's fourth "Powerhouse" music and film studio at Green Island in Hanover at MIDEM '97. Safehouse was one of the 14 companies which exhibited in the Jamaica Group Stand at MIDEM '97. To date, the design of the studio has been completed and the company has employed a local Project Management Company, Implementation Limited to oversee the logistics of the project. The venture is budgeted at US\$4.5 million.

- **Critical strategic alliances were initiated or strengthened including:**

- ! European Union
- ! Warner Brothers
- ! Reed Midem Organizations

- Sustained development of The Entertainment Bureau (Jamaica) as a vehicle for international product representation.

- The organization necessary to effectively implement the process seeded the formation of the Jamaica Music Industry Association.
- There were three months of positive international media attention.
- Attendance at the market allowed for first-hand research about the global market including opportunities, trends and issues, as well as feedback on the competitiveness of their existing product given the nuances of each market.

THE INTANGIBLES

! The Repositioning Jamaican Music

These can be measured by identifying some of the weaknesses in the industry:

- (1) Reggae Music is perceived as lacking cohesion
- (2) There is a lack of consistence and predictability in the quality of the music
- (3) There is a lack of official representation internationally
- (4) Limited access to large venues
- (5) Perception that violence accompanies the music
- (6) Limited impact in the marketing and direction of the music

The presentation has been successful in assisting in repositioning the music as the production, quality and standard of Jamaica's presence has been seen as exemplary. Owners of back catalogue (King Jimmy's Studio, Black Scorpio Studio, Anchor Recording, GG Records) were all able to both concretize business relationships which were already established as well as seek new markets.

! The Learning Experience

The participants were exposed to international music business operations within an environment which allowed them to witness the following:

- (1) Reggae music is being traded internationally by well-organized entities which display keen awareness of the strategy they wish to pursue. These companies are based in Great Britain, the Netherlands, Germany, the USA and Scandinavia. The Jamaican participants directly interacted with international players whose level of organization

made Jamaicans more aware of the level of competition within the international market.

- (2) The global interests in reggae as a genre of music has been revitalized as the international media has enthusiastically accepted the new positioning.
- (3) A wide cross-section of Jamaican talent was showcased.
- (4) The presentation at the booth indicated that Jamaica is ready for business.
- (5) The dynamic national presentation solidified confidence in Jamaica's renewed approach to the music business.

FILM

The department will intensify its marketing of Jamaica to the international film community, to attract feature films, television series and major television commercials. The staging of the first annual Negril International Film Festival will be one of the major activities.

Working hand in hand with the private sector, the department will lobby for, encourage and facilitate local investment in film productions as the results of the 1996 effort Jamaica Beat feature film financed locally have proven successful. Local projects (documentaries, music videos and educational films) will be facilitated through a targeted and focussed marketing effort.

Achievements

Implementation of 82 projects with capital investment and expenditure of J\$108.5 million creating employment for 1500 persons.

These included:

- ! One Feature Film
- ! Nine TV Commercials
- ! Seventeen Music Videos
- ! Twenty-eight Still Shoots
- ! Thirteen Documentaries
- ! Nine TV Specials
- ! One Mini Series
- ! Four Promotion Video/TV Promotion

In addition, projects with capital investments of approximately \$220 million were implemented.

- ! Pipeline with fourteen projects, capital investments and expenditures of J\$5.36 billion. Projected employment of approximately 2,000 persons.
- ! Successful staging of MIDEM '97
- ! Establishment of The Entertainment Bureau
- ! Feature Film "Shattered Image"
- ! Successfully negotiated feature film "How Stella Got Her Groove Back" - 20th Century Fox.
- ! Worked with Justice Marsh on the amendment to Motion Picture Industry Encouragement Act.
- ! Establishment of master branding concept for music "SOUNDS OF JAMAICA"
- ! Planned Presence at "MIDEM Latin America", in Miami.
- ! Facilitation of the formation of The Jamaica Association of Female Artistes.
- ! Sponsorship of "The Global Beat on RJR", Mondays 10:30 pm - 12:00 pm. - used for Public Awareness Programme.
- ! Prepared submission "Proposal for Funding" to European Union under Lome IV for funding for the Music Industry.

INFORMATION TECHNOLOGY & TELECOMMUNICATION

During the 1996-97 Fiscal year JAMPRO assisted 7 projects which generated a total capital investment of approximately J\$150 million and employment of 400. Projects included telemarketing, software and data processing/conversion services. Through assistance provided by JAMPRO 2 contracts were realized which will result in the generation of revenues of over J\$25 million. There is an estimated J\$4 billion in pipeline projects awaiting approvals and financing.

GLOBAL TRENDS

The Global Informatics industry is worth approx. US\$ 1 trillion * (World Bank estimates)

- 15-20% Annual Growth Rate
- U.S. market US\$400 billion
- Emphasis on knowledge workers in order for countries to create wealth
- Quantity of information processing growing exponentially
- Increase in demand for information procession but decrease in demand for labour inputs
- Image-based processing and artificial intelligence to replace manual input

- Rise in the virtual corporation aided by low cost, wide-band telecommunications
- Increase in Quality compliance demands

Major Outsourcers by Industry

Transportation, healthcare, publishing, banking and finance, legal, GIS Users, Software Developers

REGIONAL /LOCAL SITUATION

- Movement away from low-end “heads-down” processing to “heads-up” processing because of higher value-add.
- Services include information processing, software services, call-centres and multimedia with a growing emphasis on telecom intensive services
- Jamaica well positioned with largest number of processing firms, longest history, greatest diversity in services provided and established Digiport.
- Single Entity Freezones and expanded EIEA facility for partial exporters
- Potential for over 20,000 jobs in the region
- Fragmented but vibrant sector
- Monopoly on voice telecom but opening up of value-added data services
- Growing willingness to forge strategic alliances to retain competitiveness and market share

OPPORTUNITIES

- Multimedia/multi-lingual services
- **GIS Services**
Increase in marketable GIS skills due to Govt. land titling project
- **CALL CENTRES**
Major airline interested in Jamaica. Success will propel others.
- **HI-TECH PARK**
Properly conceptualized and planned will provide the 'hub' for high-level informatic and manufacturing services. Focus on teleservices. Will also create necessary linkages with the wider economy in areas such as health, education/training, tourism, financial services.

MAJOR INHIBITORS TO INVESTMENT

Lengthy decision time frame***

- Lack of appropriate financing
- Lack of sectoral information - no disaggregation of services sector
- Geographic and professional fragmentation
- Lack of marketing savvy and market intelligence
- Inadequacy of measuring intangible assets using traditional accounting methods
- Incentive regime skewed towards machines rather than programs/content

MAJOR MARKETS

USA, CARIBBEAN

SECONDARY MARKETS

LATIN AMERICA (SOFTWARE)

EUROPE

“

THE NATIONAL INDUSTRIAL POLICY

Locates Information Technology as both

- (1) **core sector** with enabling linkages to all the other major economic sectors and
- (2) **service sector** providing (exportable) informatic services.

Recognizes the need to build competencies in Information Technology as the main driver for expanding the country's competitive advantage in a rapidly changing global marketplace.

JAMPRO encourages and supports efforts to build core competencies in the higher value added areas of the Informatic Service sector. These include Image-based processing, Software and Multimedia Services, Telemarketing and consultancy services.

JAMPRO is actively seeking to encourage the private sector towards exporting services that are of a higher market value such as software services. One short term window of opportunity for building local expertise is in the area of **legacy systems conversion**. **JAMPRO** has successfully assisted one project to date and has another in the project pipeline which is due to come on stream in September.

JAMPRO is also seeking to collaborate with the private sector in establishing a YR 2000 project office for marketing and managing such projects.

Status of Millennium Projects

One (1) Project completed - contract which will generate revenue of approx. US\$25 million

One (1) Project in Pipeline with Sept. implementation - C.I. US\$75million

One (1) Project document being reviewed by the Project Development Unit at JAMPRO.

One (1) Training Programme established

Collaboration with EXED/HEART in process

Potential Bottlenecks

- Funding for establishing and maintaining YR 2000 Office,
- Lack of comprehensive Database of skills

Multimedia/Internet

While Jamaica continues to export software products and services mainly to the Caribbean region, the advent of the Internet and Multimedia has opened up new opportunities for us to create and export multimedia products to North America as well as Europe. Multimedia also opens up windows of opportunities for creating and packaging culture as content and therefore has natural linkages with the Design, Tourism and Entertainment sectors. Products and services can range from web page design and support services to the creation of multimedia applications for an array of different industries. Multimedia/Internet also has wide and far reaching applicability for (distance) teaching, in-plant training and multi-county, multi-site collaboration on projects. Related services such as video-conferencing further enhance the technology.

JAMPRO fully supports investment in Multimedia technology and has provided assistance in the areas of marketing, access to financing, joint venture partnering and technical assistance.

Three of the projects which JAMPRO has been actively working with are:-

COMPANY

SUPPORT PROVIDED

VILCOMM Services International

Marketing and Financing

ISADRA Limited

Institutional and Marketing

PROMEDIA

Marketing , JV, Technical

Industrial Policy also focuses on establishing strategic linkages with other clusters such as Tourism, Health, Education, Entertainment, Shipping..

JAMPRO has also targeted these strategic sectors and is currently working with local and overseas private sector to establish projects in these areas. These include:-

1. **Global View Health Network**

This project seeks to use computers and communications to establish an automated Health superstructure which will link all the health assets on the island and create strategic linkages with facilities outside of the island. Benefits will accrue in the areas of on-line medical databases for data analysis and sharing, regional procurement, training on demand, telemedicine among others.

The Project Concept has been reviewed by the Min. Health and related agencies.

Potential bottlenecks:

Financing, Project Management, Telecommunications (cost), Min. Health Support (technical, financial, policy), Training .

Status:

Project conceptualizers trying to obtain support overseas as well as funding of approximately US\$300 million.

Not yet in JAMPRO pipeline as project document still being created.

2. **Telemedicine Project with TSI International**

Telemedicine Solutions International (TSI), a minority owned telemedicine solutions provider aims to establish a telemedicine project in Jamaica initially linking two or more private/public facilities for on-line, real-time consultation both locally and overseas. Will help to alleviate strain on the health system caused by shortage of specialists.

JAMPRO initiated this project by inviting Telemedicine Solutions International (TSI) to Jamaica to evaluate the infrastructure for supporting such a venture. Feedback has been positive and TSI has submitted an official proposal to the Ministry of Health. Contact has also been made with the Health Reform Unit, OPM, W.W.I. Medical Faculty, MIIC and TOJ, MAJ, Blue Cross and a number of other health related institutions.

Status:

- TSI last visited Jamaica late August '97
- Proposal being considered by the Min. of Health et al.
- Jamaican doctor recently hired by TSI to market services to Jamaica
- JAMPRO encouraging TSI /Kingston Free Zone talks with respect to Informatics Park
- TSI/JAMPRO Symposium being considered for early '98

Potential Bottlenecks

- Financing
- Timely acceptance by Min. of Health
- Acceptance by Practitioners (private and public sectors)

SELECTED MAJOR PROGRAMMES

OVERALL FOCUS: - EXPORT PUSH

Infrastructure

- * Support Portmore Hi-tech Park
- * On-going Lobbying for reduction in SEF approval time frame
- * Support diversification of telecoms infrastructure
- * Lobby for incentives/financing for software sector

Marketing and Promotion

- * Inward and Outward missions
- * Telemedicine Conference - 4/98
- * Technology Conference - 11/98
- * Continue and expand joint marketing with private. sector
- * Establish Trade Directory - mid/98
- * Selected Trade Shows and Conferences
- * Revise/Update Promotional CD of Informatic Services - 10/97
- * HTML links to JAMPRO's Web Page - '98

Diversification/Innovation

- | | | | |
|---|---------------------------------|---|--------------|
| * | High Value GIS/CAD Services | - | 1999-2000+ |
| * | On-line Millennium Services | - | 1998-2000 |
| * | Automated Health Network | | 1999-2000+ |
| * | Medical Tele/Video-conferencing | | 1998/99 |
| * | Multi-country software projects | | 1998 onwards |
| * | Interactive Training | | 1999 onwards |

Productivity/Quality (1998 ongoing)

- | | | |
|---|-------------------------|--------------------------------|
| - | Workflow Analysis | Productivity Centre JAMPRO |
| - | ISO Training/Compliance | Target Europe/External Funding |
| - | Cost/Ratio Analysis | Productivity/External Funding |

HRD/Training

The Information Technology Unit was established primarily to promote Informatic exports in an effort to support the movement of the economy away from traditional physical exports. While we continue that thrust we recognize that building core competencies locally is of paramount importance in order to supply exportable services. JAMPRO will support and promote training in the following skills:-

- | | | |
|---|----------------------------------|------------------------------|
| * | Telemarketing/Call Centre | Marketing Designs & Concepts |
| * | Introduction to marketing | HEART/Secondary Schools |
| | | Marketing Designs & Concepts |
| * | GIS | UTECH UWI |
| * | Web Page Design &
Programming | UTECH & others |

In addition the Unit will lobby Government through their presence on the Industry Advisory Council for the establishment of a **Software Institute** as a priority. The time frame is the year 2000.

Strategic Alliances

JAMPRO fully recognizes that with limitations in physical, human and financial resources, the need to forge strategic alliances will be necessary to achieve desired outcomes. Some of the organizations with which the I.T. UNIT will be working closely are :-

- | | |
|--|-------------------|
| - IT Advisory Council | Oct. 97 onwards |
| - Jamaica Computer Society | Ongoing |
| - Jamaica Exporters Association | Forge closer ties |
| - Telecom Carriers | Ongoing |
| - National Council On Science & Technology | |

TELECOMMUNICATIONS

In the Industrial Policy document Information Technology and Telecommunications are given pride of place as the basic requirements for building domestic and international competitiveness, (pgs 132-134 NIP). The strategic importance of these two sectors as key developmental inputs for upgrading production methodologies, importing skills and providing access to an international marketplace, across industries, is well noted.

Telecommunications is the main driver of information technology and the merger of computers and telecommunications is perhaps one of the most powerful and far reaching combinations to date. Telecommunications allows for the immediate distribution of content in any form, to either a specially selected or global marketplace.

It follows therefore that **policies with respect to the ownership and regulation of telecommunications must promote efficiency, competitiveness and openness to investments in new technologies.** The experiences of Singapore on one continent and Ireland on another, both demonstrate how economic and social transformation can be accelerated with the application of an optimal mix of appropriate policies and technologies, in support of a national vision.

Recognizing the trade policy and other hemispheric arrangements are moving towards deregulation of telecommunications, **Jamaica will need to hasten the formulation of a domestic policy that is consistent with regional and global commitments.** This is particularly critical for the transformation of Jamaica to an information economy largely driven by telecommunications.

Policies with respect to the treatment of value-added services, inter-connectivity of computers and telecommunications including public networks, the encouragement of investments in new technologies which can expand the current offerings and expediting the investment process itself need to be finalized as a matter of urgency.

The value of a deregulated, efficient and cost effective telecommunications infrastructure which can link critical private and public sector agencies and promote advanced services in areas such as health/medicine, education, the utilities, agriculture and the emergency services to name a few, cannot be over-emphasized. The elevation of Jamaica from an island with a high concentration on low level information processing to one that can offer exportable services and solutions at the higher value-added level is highly dependent on telecommunications. Opportunities created by the World Wide Web to utilize the creative talents of Jamaicans in developing multimedia products and services is also highly dependent on efficient and cost-effective telecommunications.

With the lowering of tariffs internationally, countries will need to significantly diversify their range of products and telecommunication-based services so as to further segment and therefore expand overall markets.

JAMPRO is seeking to encourage investments in areas which are telecom intensive but the lack of a definitive and enabling policy framework coupled with inordinate delays in obtaining requisite approvals often stymie our efforts.

OTHER SERVICES

OFFSHORE FINANCIAL SERVICES

Background

The broadening of the financial services sector is a natural addition to the country's efforts to attract investments in the area of service exports. The current range of offerings in the financial services include commercial banking, investment banking, insurance and unit trusts.

Business in these areas is facilitated under the Financial Institutions Act of 1992, the Banking Act, the Insurance Act, the Unit Trust Act and the Bank of Jamaica Act. The Securities Act governs the operations of the securities industry including the activities of the Jamaica Stock Exchange. Legislation such as the Money Laundering Act (1995) are also a part of the regulatory framework that supports the development of a vibrant financial services sector.

Offshore banking which is offered in neighboring territories such as Grand Cayman, Antigua, Anguilla, Barbados, Bahamas and Turks and Caicos among others, is not now offered in Jamaica as there is no government policy on the issue, and hence no legislation to govern these operations. The trillion dollar offshore banking industry, estimated at US\$9 trillion in 1993, provides an important source of revenue for many countries. Offshore financial centres have emerged in varying ways to complement existing economies such as the Bahamas and Barbados, where it is considered to have been positively affected by vibrant tourist industries.

National Industrial Policy Link

Locations such as Singapore on the other hand capitalize on their strategic location - proximity to major trade hubs, while England capitalizes on its credible and long history of banking. Jamaica, with its strategic location in the Caribbean Basin and access to major centres of commerce in North America and Latin America, its vibrant tourist industry, and a banking system which in the main, operates under English Banking practices, encapsulates all of these advantages and would therefore seem to be logically positioned to take advantage of this lucrative niche in the financial services sector.

The need to accelerate plans to broaden the country's range of capabilities in this sector is urgent because of the foreign exchange earning and employment generating potential. It would also immediately provide options for capacity utilization among existing banks, insurance companies and the cadre of well trained professionals who have been displaced because of the current contraction in the financial services sector.

The development of the new areas of financial services fits squarely in the objectives of the National Industrial Policy in the need to diversify the economic base of the country and in so doing, restructure the employment base of the country to more higher value added activities. In addition, the development of the sector will provide for inter-sectoral linkages and support the growth of sectors in the strategic clusters of tourism, information technology and shipping and berthing.

Jamaica's Initiatives to Promote Offshore Industries

The strategy used by international companies is to maximize taxes by locating substantial trading and business activities which pass anti-tax haven tests, in low tax territories. These companies look for political stability, good communications, advantageous geographic location, a hospitable tax and regulatory framework,

adequate infrastructure and the availability of quality professional services and local skills.

While Jamaica can provide some of the incentives required by this market, under its current legislation, it is not possible to effectively market Jamaica without specific legislation that investors can feel was designed specifically to meet their needs.

A review of some of the relevant legislation reveal that:

The Free one Act - as it applies now to information processing, profits from the export of services are not taxed.

The International Finance Companies Act - focuses on financial transactions, and allows for tax payable at a rate of 2.5% on its prescribed financial operations.

The Foreign Sales Corporation Act - which, as the closest piece of legislation that meets the objective of offshore business operations provides for:

- Designated status for 15 years
- No tax from foreign trade transactions and related income
- Exemption from customs duty and similar taxes
- No withholding tax on dividends
- No payroll taxes

Companies which are able to benefit from this enabling legislation are primarily United States exporting companies who may establish a Corporation of FSC in a qualified jurisdiction, such as Jamaica and obtain a tax exemption of up to 30% of net export profit.

FOREIGN SALES CORPORATION

Jamaica's initiatives in the promotion of FSCs begun soon after the regime was established by the U.S. government in 1983 as part of the Caribbean Basin Initiative.

The momentum was not sustained, however. To date, some 440 FSCs have been registered in Jamaica. Barbados which followed Jamaica in enacting legislation has recorded some 1700 FSCs, with the government of that country estimated to have earned US\$100 million from offshore services in 1995, with FSCs contributing to that achievement.

JAMPRO in conjunction with the private sector, has recently renewed efforts to increase Jamaica's visibility in the FSC market. As a result, the organization spearheaded a representation of government and private sector members headed by Ministerial representatives from both the Ministry of Finance and the Ministry of Industry, Investments and Commerce to attend the 13th Annual FSC/DISC Tax Association Conference held in Orlando, in November 1996.

The organization will be hosting a seminar aimed at increasing awareness of the opportunities for local service providers such as banks, accounting and legal firms, financial advisors, chartered secretaries and Certified Public Accountants on June 10. Speakers will include the head of the FSC/DISC Tax Association, a leading FSC specialist from the United States and a representative from the U.S. Department of Commerce.

A market study of the potential for FSCs is being commissioned by JAMPRO and the preliminary findings will be presented at the June 10 seminar.

Jamaica is one of the bidders for hosting the 15th Annual FSC/DISC Tax Association Conference in 1998. This event is expected to be attended by an influential group of approximately 400 corporate attorneys, tax counsels, chief financial officers and US exporters.

Jamaica's competitiveness in the FSC market could be considerably improved with minor amendments to the following legislation:

The Companies Act

1. An amendment to be made to the Companies Act that Foreign Sales corporations be exempt from the provisions of Sec. 143-Sec 156 of the Companies Act, i.e., the FSC is exempt from an audit. This in keeping with the other FSC jurisdictions.
2. Exemption from filing accounts with the Registrar of Companies Sec 123(3). This exemption is presently under the FSC Act and not the Companies Act.
3. Exemption from filing accounts with an annual Return [Sec 124 (A)]. This exemption is presently under the FSC Act.
4. To allow for prior name approval for new companies including FSCs to facilitate the name of a new company being reserved for a specific time prior to incorporation documents being submitted.

The New Companies Bill - 1996

Exemption from Sec 35(1)b and Sec 36(1)

"registered as a private company which has (i) incurred liabilities of at least five million dollars or (ii) employs a workforce of at least 200 persons"

This is because a FSC located in Jamaica is more often that not a paper company, whereby, certain accounts are passed though its books. JA\$5,000,000 in liability is only at present rate US\$143,000.

The Foreign Sales Corporation Act 1984

Sec 5 (4) to be deleted

Since the FSC is exempt from income tax, it is unnecessary to file NIL tax returns

Sec 11 (1) amended to include exemption form consumption tax on equipment, etc.

The amendment would read:

"Every designated corporation shall be....free of consumption duty, customs duty..."

The Income Tax Act

To incorporate an explicit exemption for FSCs from filing Income Tax returns

The Stamp Duty Act

To provide for an exemption from transfer tax and stamp duties on the transfer of any equity capital of an FSC, provided that the transferee is not a Jamaican national resident or citizen. This will facilitate free transferability of FSCs.

OPPORTUNITIES FOR JAMAICA AS AN OFFSHORE DESTINATION

The demand for offshore financial services, have increased dramatically over the last twenty years largely because of the need of well off persons to shield their assets and income from expropriation. The services offered by jurisdictions vary and include the traditional exclusive confidential banking services in a tax-free or low tax environment as in the case of Switzerland and the Cayman Islands. Other countries such as Hong Kong, Ireland and Barbados, promote special vehicles where foreign sourced income is tax free or taxed at nominal rates, while imposing classical tax obligation on residents and income arising within the countries' borders.

Despite pressure from the Organization for Economic Cooperation and Development countries like the United States to make it onerous for countries to assist their citizens to hide illegally acquired assets, there are substantive business opportunities for locations wishing to offer the following services:

- legitimate tax and estate planning
- asset protection schemes
- offshore (captive) insurance coverage
- foreign sales and purchase vehicles

financing vehicles for groups of international companies
custody and management of funds
custody of trust assets and the management of trusts
ship registration

In order to take advantage of this growing services area, countries have been amending their legislation to make their jurisdictions attractive to the target market.

Benefits to Jamaica to encourage offshore industries

While the taxation revenues from offshore entities are minimal, the benefits to countries that have developed the legislative and other structures to encourage offshore industries include:

huge capital inflows through their economies with the establishment of international banks, trust companies, and finance houses

NOTE:

JAMPRO is currently seeking funding to procure a market study on the Offshore Financial Services

increased demand for skilled workers, for example, attorneys, accountants, bankers, corporate secretaries, data processing professionals in addition to job opportunities at the lower level

the demand of the professional groups create the need for other services which creates a multiplier effect in the economy

substantial taxation revenues from residents who earn a living from the offshore industry

additional government earning opportunities through fees charged for the establishment and maintenance of simpler companies - a low of US\$3000 -

to the larger fees -typically several hundred thousand dollars - for banking, insurance and international marketing companies

The Minister of Finance of Barbados in his Budget presentation in 1994, estimated that country's earnings from the offshore industry to be in the range of BD\$600 million per year. The recently established international Financial Services Centre in Dublin had by September 1995 attracted 380 companies and created 2500 jobs with the expectation of 4000 jobs overall.

With the current drive to modernize the public sector and to bring the entire sector on-line, it provides an opportunity to integrate the design and installation of the infrastructure necessary for the development of a modern offshore financial industry.

Sources: Price Waterhouse and JAMPRO Information Centre

5.3) AGRIBUSINESS

1. Overview

The vision for the development of the Agribusiness Sector (agriculture and agro-processing) is in keeping with the priority in the National Industrial Policy (NIP) and takes cognizance of the following issues:

- a) Trends in the international food market:
 - Growing concern about health on the environment
 - Change in eating habits (convenience foods, eating away from home)
 - increasing demand for the exotic resulting from increase in international travel, increase in real disposable income.
- b) Globalisation of trade and the need to achieve international competitiveness both in price and quality.
- c) Imminent removal of preferential market access under Lome, CBI, Caribcan threatening primarily our traditional crop (sugar, banana).
- d) Inability over the years to satisfy the demand overseas for products that have attained international recognition for quality, e.g. sauces, coffee.
- e) Lack of success over the years in attracting foreign direct investment (F.D.I.) in farming activities in Jamaica.

Against this background the trade and investment strategies focus on the following:

- a) Increase output/diversification of local production
- b) Quality improvement
- c) Increase productivity
- d) Maintain/expand penetration of niche markets overseas.

Specific Trade and Investment Strategies 1998 - 2001

- a) Participation in overseas Trade Shows/ other promotions to maintain presence in the marketplace and increase exports.

Trade Shows

Fresh Produce	5
Ornamentals	12
Processed Foods	10

Instore Promotion

Processed Foods	28
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- b) Targeting Jamaican overseas and presenting investment opportunities with a view to attracting new investment from overseas

- Overseas Offices

- c) Implementation of Local Targeting Programme to foster new investments.

- Presentations on investment opportunities to 36 companies/ individuals

d) Complete feasibility studies/opportunity profiles in the following new areas in an effort to diversify production and market where feasible.:

- Sea Island Cotton
- Culinary Herbs
- Fresh Cut Vegetables
- African Oil Palm
- Tobacco (resuscitation of production)

e) Continuation of HACCP on site training in an effort to improve quality and reduce waste

- Companies

f) Productivity Workshops to enhance/improve efficiency and ultimately output.

Major Achievements 1996 - August 1997

Projects implemented

		J\$ million	
	No.	Act. C.I..	Act. Emp.
1996	28	340.6	511
1997	4	8.6	10

Projects in Pipeline (for implementation)

1997	7	1324.5	350
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Developmental Activities

CANEXPORT

Project officially ended in September 30, 1996. Achievements of the project are:

Training Course in Post Harvest Technology of Papaya: Approximately 50 farm and personnel in the papaya industry were trained from the National Resources Institute of the U.K. Recommendations as a result of this intervention are being implemented on some farms.

Development of Grades Quality Standards for Papaya: This was conducted in collaboration with the CANEXPORT Project, Agriculture Canada, and the Papaya Growers Association.

Packaging Trial for Anthuriums: This activity was started during 1995/96 and is being continued. During the period under review, the investigations focused on vibration and temperature testing. Test shipments using the new triangular box gave promising results.

PLANNING: Seven Marketing Plans were completed for the sector.

FORMATION OF ASSOCIATION: Five associations over the period, namely:

- Papaya Growers Association
- Ornamental Horticulture
- Fresh Produce
- Ornamental Fish Farmers Network
- Agro Processing Resource Network

5.4) SMALL BUSINESS

OVERVIEW

In 1996, 22% of the workforce employed by Small Businesses accounted for 27% of the country's G.D.P. - *"Economic Social Survey Of Jamaica, 1996."* This employment figure is expected to increase given the high levels of downsizing by larger firms.

The Small Business Centre provides support services to the Small & Medium sized enterprises, seeking to enhance the capabilities of small operations to expand and compete in the global marketplace. On average, we receive over 250 enquiries each month. Approximately 100 service visits are made each month to clients including community projects.

STRATEGIES FOR DEVELOPMENT

- < **Parish profiles** are currently being conducted by JAMPRO which will provide information to assist us in planning the growth and development of the Small Business sector on a parish by parish. These profiles will give not only demographic data on each parish but will among other things identify: Community based projects, the educational levels, types of businesses in each parish, investment potential, idle capital, structural changes needed for development and employment generating opportunities.
- < **The Promotion of Cottage Industries**, which will focus on four (4) priority sectors: Craft, Garment, Processed Foods, and Furniture. Several international cottage industry models are now being studied in tandem with local research. We currently assist seventeen cottage and community projects

which are in operation. Approximately 450 persons are employed in the seventeen projects in operation. Eight new projects are scheduled to be fully operational by October 1998 and another ten in year 2 and twelve in year 3.

Some successful projects include: East Westmoreland Craft Producers Project, Flower Hill Bammy Project (St. James), New Buildings Cassava Processing Project (St. Elizabeth), Reach Dasheen Chips Factory Project (Portland), Meylersfield Fish Farming Project (Westmoreland).

< **Parish Outreach Programme** - This is a part of JAMPRO's proactive approach to increase local investments. This programme also increases our linkages with other agencies serving this sector. In addition to our office locations in Kingston, Mandeville and Montego Bay, we have established a one-day-per-month presence in a Government Agency offices in each parish. This is in addition to our weekly activities in each parish.

< **Trade Fairs** - JAMPRO plans to increase the exposure of the Small Business sector at strategic trade fairs, and international expositions. This aims to increase knowledge of international standards and create niches in the export market. In the local market, we will continue to promote the SME sector at parish expos.

< **Forge additional backward and forward linkages between industries**, e.g., pineapple growers with agro-processors, and hotels.

< **Productivity:**

Provide technical assistance to upgrade Management &
Operation of 20 Small and Micro Enterprises (SMEs.)

Training in Production Layout, Record Keeping, Time and
Motion Study.

- < **Establishment of SMEC Bureau** - as proposed in National Industrial Policy.
The Bureau would undertake research, data collection and reporting, policy formulation, monitoring of sector projects, and the pursuit of funding assistance for the sector.

JAMPRO is presently establishing a **National Small Business Providers Committee** to achieve a more unified and focused approach in assisting the Small Business Sector.
- < The rejuvenation of **Parish Investment Committees** to develop and implement strategies towards the promotion of investment within each parish.
- < **Aggressive prospecting** to gain new clients and to increase the operation of existing ones. We project to have in year 1, eighty five new projects with employment of 400.
- < **Export Enhancement** - assisting in the exports of Small Business products via consolidated shipments by JETCO. This will allow more SME's to participate in the national export drive and increase income through the earning of foreign exchange. We aim to introduce at least 85 entrepreneurs into the International marketplace.

6.0) CRITICAL SUCCESS FACTORS

JAMPRO

- Executive Agency Status
- 'State-of-the-art' Information Technology Infrastructure
- Motivated Staff / Staff Training / Good Internal Communication
- Strategic Alliance with Major Governmental Bodies
- Strategic Alliance with Private Sector Umbrella Groups
- Partnership with Industry Advisory Councils
- Positive Public Relations Programme
- Implementation of Marketing, Corporate, and Strategic Plans
- Removal of Project Bottlenecks, eg. Port Royal Project
- Aggressive Investment & Trade Promotions Programme for Tourism Attractions

JAMAICA

- National Industrial Policy Implementation Plan
- Stable Macro Economic Factors
- Crime Reduction
- Infrastructure Development
- Competitive Interest Rates
- Funds for Debt Restructuring, Retooling, and Working Capital
- Availability of Venture Capital
- Reliable Transportation System
- Promotion of Jamaica INC
- Inter Ministerial Committee for Investment Project Approval
- Reduction in Energy Costs, i.e. special rate for Industrial Users
- Adequate Port Security
- Information Technology Development Plan
- Sound Environmental Management
- Positive Industrial Climate
- Foundation for Offshore Financial Services
- Funding for emerging industries; Information Technology, Music, Tourism Attractions

ANALYSIS OF GOVERNMENT APPROVAL PROCESS FOR INVESTMENT PROJECTS

1. Introduction

- 1.1 Since its establishment two (2) years ago, the Investment Facilitation Board (IFB) has been able to facilitate twenty-two (22) projects experiencing bottlenecks with Government bureaucracy. These projects fall within various sectors and sub-sectors, namely, Industrial Minerals, Tourism, Manufacturing, Agri-Business and Real Estate (see Appendix I).

2. Approval Process

- 2.1 The approval process embraces a total of forty-five (45) ministries and agencies (see Appendix II) and includes over thirty (30) approvals for any pre-investment and post-investment projects. Invariably, each approval process is governed by legislation and has been administered in an uncompromising regulatory manner for decades. Many processes have become outdated and redundant and are now impacting on the cost of doing business.
- 2.2 The approval process for most investment projects is lengthy and time consuming, ranging from one (1) month to almost two (2) years. It cuts across many ministries, agencies and departments of Government, and in many cases the requirements are overlapping and duplicating. Applicants are **not** usually aware of all requirements of the approval process from the outset; hence they often need to complete additional ones after thinking they have satisfied the process.
- 2.3 Examples of two such processes are shown in the attached flow chart, Appendix III, outlining applications for development and land sub-division. These processes are subject to the Town and Country Planning Act and the Local Improvement Act.
- 2.4 For development applications, the following is required:
- ▶ The Town and Country Planning Authority must approve planning applications within "called-in" areas.
 - ▶ The Parish Councils approve all other development applications in areas under the above-mentioned Act.
 - ▶ The Parish Councils may or may not seek advice from the Town and Country Planning Authority before granting approvals for all buildings.

2.5 For sub-division applications, the following is required:

- ▶ The Parish Councils must first examine all applications for sub-divisions and refer them to the Town Planning Department and the Chief Technical Director for approval.
- ▶ The Town Planning Department, on receipt of these applications, seeks the advice of other agencies as deemed necessary.

2.6 With the emphasis on the protection of the environment, the Ministry of Environment and Housing and its implementing arm, Natural Resources Conservation Authority (NRCA) are now key players in the approval process. All investments projects require the approval of the NRCA. Added to this, the Parish Councils and the Ministry of Local Government and Works which are woefully understaffed treat investment projects just like any other activity they perform routinely.

2.7 In examining the projects presented to the IFB, delays experienced in the process have been attributed to the following factors:

- ▶ Inadequacy of information submitted by applicants which may be attributed to a lack of knowledge of the process by applicants;
- ▶ Tardiness of applicants in many cases in complying with the requirements; and
- ▶ Lack of public sector resources, particularly the absence of qualified and technical personnel result in inordinate delays in processing applications in a timely manner, most noticeably at the Parish Councils and the Ministry of Local Government and Works.

2.8 Although the IFB is made up of representatives from Ministries and agencies at the highest level, these representatives could not make critical decisions because these decisions had to be first sanctioned by their Agencies' Boards. The IFB recognized also the complexity of the approval process for development and land sub-division and commissioned Coopers and Lybrand to examine it critically and make appropriate recommendations. The findings of that study are still to be implemented because ministries and agencies are reluctant to commit themselves to a timeframe.

3.0 Timeframe

3.1 *Some investment projects requiring incentives have come upon policies and conditionalities which do not permit flexibility in their application. These*

projects are not able to qualify under existing incentives regime, particularly in the area of non-metallic minerals for which there had been no incentives. As illustrated in Appendix I, lengthy deliberations and consultations were required before a suitable Cabinet Submission was prepared for consideration. The entire process took twenty (20) months for a final decision to be reached. Since then, the investors have had to reconsider their decision to invest in Jamaica as market conditions have now changed.

- 3.2 *All new projects must comply with the NRCA requirement of conducting an Environmental Impact Assessment (EIA). This often results in protracted delays for some projects as the agency appears to be experiencing the "teething pains" of implementation. A few projects were approved within a timeframe of a month or less while others experienced delays of up to ten (10) months.*
- 3.3 *Access to Government owned lands is proving to be problematic as in many instances ownership is not easily determined. Even where this has been established, the relevant Land Divestment Committee is often not active for investors to obtain a decision.*
- 3.4 *Applications for the construction of buildings have been dealt with by the Parish Councils within a timeframe of a month or two, but those for "sub-division" took up to six months. As mentioned earlier, the Parish Councils lack the required resources, i.e. human expertise, equipment and technology, to process applications expeditiously.*
- 3.5 *Investment approvals submitted to the IFB took an average of over six (6) months and would have taken much longer without the Board's intervention. This points to a major weakness in the way Government conducts business which must be addressed with great urgency. Although the IFB has met with some success, it is actually working a chronically bad and outdated system. Competing countries in the region such as Dominican Republic, Costa Rica and Honduras grant similar approvals within a three (3) month timeframe while most business approvals are completed within a shorter period.*

4. Recommendations

- 4.1 *In the short term, there is an urgent need to replace the IFB with an Inter-Ministerial Committee to be chaired by the Minister of Industry, Investment and Commerce and to include other key Ministers and their officials. This Committee will be accountable to Cabinet and its decisions will be binding.*
- 4.2 *At the operational level, each Ministry and agency must identify a senior officer as the "Investment Facilitator" to deal with all investment projects submitted.*

- 4.3 *Continuous staff training at the Ministries and agencies must be a priority because it is essential that the delivery of top class services and engendering good customer relations become the "raison d'être" of these entities.*
- 4.4 *In the long term, a complete revamping of the entire legislative, procedural and administrative systems relating to business approvals must be undertaken. This should be a priority of the Public Sector Reform Programme. It will require a consulting team to examine critically all the components of the systems and make recommendations for fundamental changes.*

JAMPRO
1997 September 10

Libraries

SUMMARY OF PROJECTS SUBMITTED TO INVESTMENT FACILITATION BOARD

SECTORS/ SUB-SECTORS	US\$ CAPITAL INVESTMENT	EMPLOYMT.	AGENCY APPROVALS	TIMEFRAME (Months)
9 Industrial Minerals				
- Western Cement	18.6 M	100 (initial)	Parish Councils	2 - 6
- Lydford Mining	7.6 M	65 (initial)	TPD	1 ½
- Clarendon Lime	15.0 M	45 (initial)	NRCA	1 - 6
- Clarendon Mining	15.0 M	20 (initial)	MIIC/MoFP	1 - 20
- Chemical Lime	60.0 M	50 (initial)	JB	10
- Chippenham Park	2.8 M	40 (upgrade)	FCJ	unresolved
- Hellshire Marble	113,000	30 (upgrade)	WRA	6
- Zia Metallurgical	35.0 M	45 (initial)	MGD of MoAM	9
- Ausjam Mining	1.4 M	45 (initial)		
5 Tourism				
- Lost Beach Resort	0.5 M	50 (initial)	Parish Councils	1
- Harbour Head Beach	4.6 M	100 (initial)	TPD	½ - 6
- Mammee Bay Lots 1 & 2	25.0 M	200 (initial)	ECD of MoH	½ - 1
- Cabaritta Tours	457,000	32 (initial)	NRCA	½ - 6
- Dolphin Discovery	2.0 M	15 (initial)	NIBJ	1
			TAP	1
			UDC	1 - 2
4 Manufacturing				
- General Industries	n.a.	n.a.	Parish Councils	1 - 5
- WISYNCO	0.8 M	100 (upgrade)	TPD	½ - 6
- Jamaica Edible Oils & Fats	11.4 M	90 (initial)	NRCA	3 - 10
- SRC Alkali	2.2 M	50 (initial)	MIIC/MoFP	5
2 Agri-Business				
- Caribbean Marine Shrimp Farm	86,000	10 (initial)	Parish Councils	2 - 5
- Vonco Tropical Fish Farm	2.5 M	10 (initial)	NIBJ	5
			Lands Dept.	unresolved
			NRCA	10
2 Real Estate				
- Kerrilake Development Co.	n.a.	n.a.	ECD of MoH	1
- RBan Products	43,000	30 (initial)	NRCA	4
			TPD	4 ½
			UDC	2
22 Projects	205.099	1,127		

SUMMARY REPORT OF PIPELINE PROJECTS AGRIBUSINESS

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
7	965.535	350

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. CARIBBEAN BOTTLERS (JA) LTD	516.000	200	30/04/97	01/12/97
Applications for incentives being processed. Building plans being processed by KSAC.				
2. JAMAICA EDIBLE OILS & FATS CO LTD	400.000	94	31/03/95	31/12/97
Equipment installation in progress. Local financing being finalized NRCA approval received. Production of soap scheduled to commence September. Oil production scheduled for December.				
3. VONCO TROPICAL FISH FARMS	20.000	30	06/04/96	31/12/97
Land required by competing interests. Land Dept. will advertise.				
TOTAL:	936.000	324		

SUMMARY REPORT OF PIPELINE PROJECTS MANUFACTURING - GENERAL

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
8	705.908	288

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. NEW ERA HOMES JAMAICA LTD	586.000	100	-	31/10/97

Work permit applications received and submitted to the Ministry of Labour.
First batch of equipment and machinery now being prepared for shipment.

TOTAL:	586.000	100	
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SUMMARY REPORT OF PIPELINE PROJECTS MANUFACTURING: MINERALS, CHEMICALS & ALTERNATE ENERGY

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
8	4835.300	425

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (J\$M)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. CHEMICAL LIME GROUP	2400.000	100	01/01/96	31/08/97

Meeting was held with FCJ to conclude land lease/purchase agreement w/e 25/07/97.
Discussions are ongoing.

2. LYDFORD MINING COMPANY LTD	266.000	65	01/09/94	31/12/97
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Presently expanding crushing plant. Construction of phase 1 - (preparation of foundation) for milling plant has started. Discussions are ongoing re JBM concerning port facility.

PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
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3. ST. THOMAS ROCK AND AGGREGATE COMPANY

76.000	7	01/06/94	30/12/97
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Mr. Jack Walsh met with JAMPRO 18/7/97 and sample shipments were exported overseas. Discussions with PAJ are ongoing.

4. ZIA METALLURGICAL PROCESSES INC.

1400.000	100	01/05/96	31/01/98
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Heads of Agreement for red mud was signed 14/7/97. Land lease/purchase contract is awaiting counter offer negotiation by FCJ/NIBJ for warehouse, Salt Rivers. Meeting is to be scheduled.

TOTAL:	4142.000	272	
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SUMMARY REPORT OF PIPELINE PROJECTS MANUFACTURING: TEXTILE & SEWN PRODUCTS

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
6	272.900	605

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. BEANIS HOSIERY MFG CO LTD	75.000	141	01/11/94	01/03/98
NDB has committed itself to fund 60% NIBJ is willing to take 20% of investor equity. Investor proposes to seek additional funding from private individuals and to negotiate a price reduction on machines.				
2. OXFORD INDUSTRIAL COMPANY LTD	17.500	150	24/01/95	31/08/97
Free Zone status has been granted. Machinery has been moved from Clarendon and Kingston Free Zone to Naggo Head, and is being installed. Production to start within a month.				
3. SEAPORT TEXTILE TRADING OF JAMAICA LTD	70.000	12	01/03/97	30/09/97
Principal started setting up in Kingston Free Zone but is currently off the island. Investor to visit shortly to complete the set up of the operation.				

PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
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4. TOWELS & LINEN LIMITED

105.000

250

01/02/97

01/03/98

The principal has had several years experience in the production of household linen. This present project is expected to be a vertically integrated operation where the textiles are produced. He has established contact with individuals who will supply raw materials and assist with marketing. The project is to be implemented on a phased basis. Funding will be sought from NDB & NIBJ. Principal has indicated interest in the Cotton Polyester plant.

TOTAL:

267.500

553

SUMMARY REPORT OF PIPELINE PROJECTS SERVICES: INFORMATION TECHNOLOGY

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
6	4145.400	162

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. ANTILLES SOFTWARE LIMITED (formerly BIDCOL LTD) Has acquired 8000 sq. ft. facility. Single-entity free Zone application being processed. Kingston Free Zone has confirmed its support for the project passed to the MIIC for Order and Ministerial approval.	75.600	100	01/11/96	31/07/97
2. GPD Investment facilitation required GPD did not received Cable Licence from the Broadcast Commission as no wireless licences were given. Awaiting further word from the Broadcast Commission.	4000.000	-	01/01/96	30/04/97
3. ISADRA INT'L (PHASE II) Company actively recruiting and training staff. Phase 1 implemented.	40.840	30	-	-
TOTAL:	4116.440	130		

SUMMARY REPORT OF PIPELINE PROJECTS SERVICES - TOURISM

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
36	18445.150	3772

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. DRAX HALL HOLDINGS LTD - MARIOTT Investors have been negotiating with PRAPACO, a french company re financing of the golf course. Investors scheduled to meet with a group of Malaysian investors this week.	2135.000	298	01/01/94	31/08/97
2. HEDONISM RUNAWAY BAY Construction is expected to commence. Total financing for the project is also in place.	1234.400	268	01/06/97	30/09/97
3. KILDARE VILLAS Department assisting investor with incentive application.	35.000	30	01/07/96	30/11/97

4. MAMMEE BAY HOTEL

1015.000

300

01/05/95

30/09/97

Investors still waiting to hear from financiers.
Investors still negotiating with NIBJ. No firm date for construction to commence has been set.
Investors are awaiting a ruling by the St. Ann's Parish Council with regards to objections submitted by members of the Mammee Bay community. Investor to meet with the parish council 12.09.97 to make a decision on the project and community.
Department to follow-up with Town Planning.

5. PORT ROYAL DEVELOPMENT CO

1925.000

50

01/05/94

31/12/97

The extended MOU has expired. JAMPRO prepared a cabinet note advising on the status. Meeting called by MIIC of all relevant government ministers held 15.8.97. Follow-up meeting required in absence Minister of Finance and the Minister of Tourism.

6. ROSE HALL DEVELOPMENT HOTEL RESORT (RITZ CARLTON)

4375.000

860

02/02/94

31/12/97

Investor negotiating Memorandum of Understanding with the Government also negotiating financing.

7. SWEPT AWAY RESORT

805.000

350

30/09/95

31/12/97

Investor has identified a source to obtain funding and are currently in negotiations.

TOTAL:**11524.400 2156**

SUMMARY REPORT OF PIPELINE PROJECTS SERVICES: FILM, MUSIC & ENTERTAINMENT

NO. OF PROJECTS IN PIPELINE	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT
14	5361.300	385

SOME MAJOR PROJECTS IN THE PIPELINE

	PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
1. BLUE PRINT MANAGEMENT	1872.550	-	-	01/06/98
Multimedia Arts and Entertainment Centre. Bottleneck: Financing				
2. GRIZZLES ENT.	100.00	-	14/02/96	01/03/98
Seeking to acquire land in St. Ann.				
3. PULSE INVESTMENTS	700.00	-	11/06/96	01/04/98
Theme Park. Bottleneck: Financing.				

PROJECTED CAPITAL INVESTMENT (\$JM)	PROJECTED EMPLOYMENT	DATE ENTERED PIPELINE	ESTIMATED IMPLEMENTATION DATE
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4. SANDOSA

1975.00

-

30/04/96

01/06/98

Recording & Music Park.

5. SAFEHOUSE MUSIC LTD

141.75

20

25/06/96

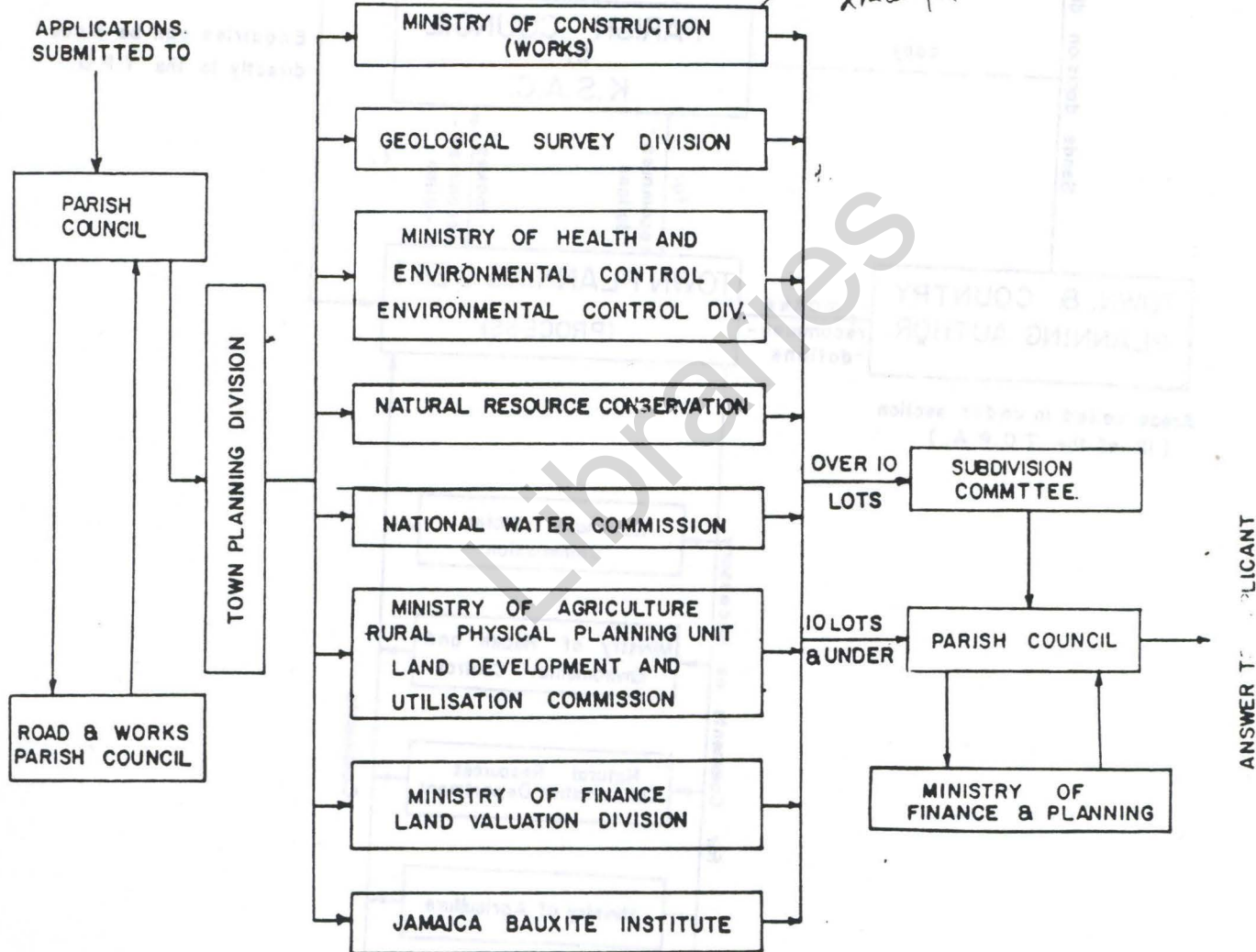
01/12/97

Resort Music Company.
Apply for MPI Act Incentive.

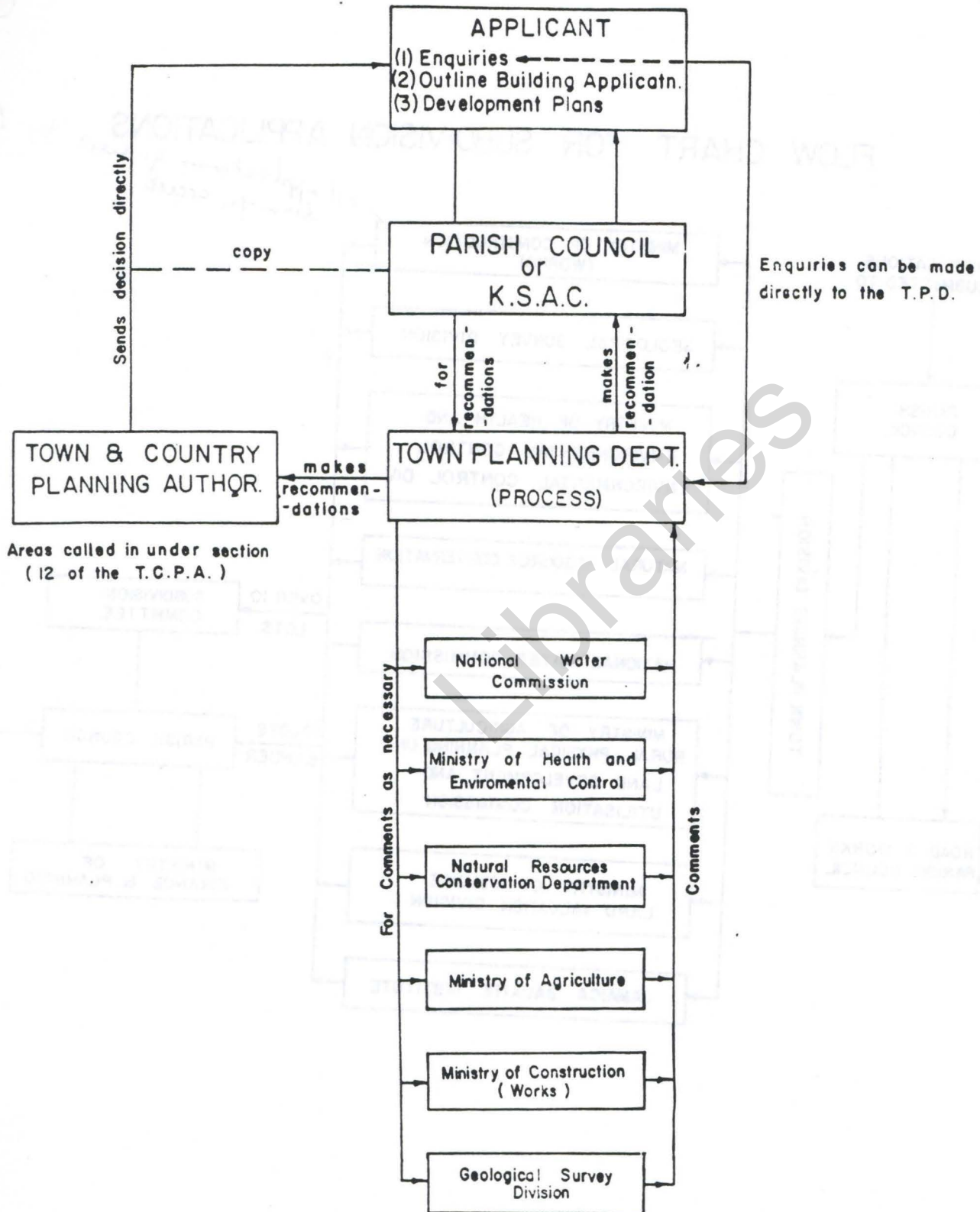
TOTAL:

J\$4,789.00

FLOW CHART FOR SUBDIVISION APPLICATIONS



FLOW CHART FOR DEVELOPMENT APPLICATIONS



note: A minimum of six (6) copies of plans must be submitted
Additional copies to satisfy Agency needs will be requested

GOVERNMENT MINISTRIES/AGENCIES IMPACTING THE INVESTMENT APPROVAL PROCESS

1. Office of the Prime Minister (OPM)
(Ministry of Tourism)
2. Ministry of Industry, Investment & Commerce (MIIC)
3. Ministry of Finance & Planning (MoFP)
4. Ministry of National Security & Justice (MNSJ)
5. Ministry of Foreign Affairs & Foreign Trade (MFA&FT)
6. Ministry of Labour, Social Security & Sports
7. Ministry of Agriculture & Mining (MoAM)
8. Mines & Geology Division of Ministry of Agriculture & Mining
9. Ministry of Environment & Housing (MEH)
10. Ministry of Local Government & Works
11. Ministry of Health (MoH)
12. Environmental Control Division of Ministry of Health (ECD)
13. Pharmaceutical Services Division of Ministry of Health (PSD)
14. Ministry of Public Utilities, Transport & Energy (MPUTE)
15. Revenue Board
16. Customs Department
17. General Consumption Tax Department
18. Registrar of Companies
19. Port Authority of Jamaica (PAJ)
20. Ports Security Corps Ltd. (PSC)
21. Kingston Free Zone (KFZ)
22. Montego Bay Free Zone (MBFZ)
23. Garmex Free Zone (GFZ)
24. Factories Corporation of Jamaica (FCJ)
25. Kingston Restoration Company (KRC)
26. Jamaica Bureau of Standards (JBS)
27. Trade Board Ltd.
28. Jamaica Promotions Corporation (JAMPRO)
29. Jamaica Tourist Board (JTB)
30. Tourism Action Plan (TAP)
31. Office of the Registrar of Titles
32. Income Tax Department
33. National Housing Trust (NHT)
34. H.E.A.R.T./NTA
35. K.S.A.C./Parish Councils
36. Town Planning Department (TPD)
37. National Water Commission (NWC)
38. Natural Resources Conservation Authority (NRCA)
39. Lands Department
40. Geological Survey Department
41. Rural Physical Planning Unit
42. Jamaica Bauxite Institute (JBI)
43. Urban Development Corporation (UDC)
44. Fire Departments
45. Water Resources Authority (WRA)

PROGRESS REPORT ON THE IMPLEMENTATION OF THE NATIONAL INDUSTRIAL POLICY (N.I.P)

INTRODUCTION

The National Industrial Policy promulgated in April 1996, provides for its implementation on a phased basis. The institutional arrangements in this regard, provides a leading role for the Development Council with responsibility for giving central direction assisted by a Technical Secretariat whose main responsibility is the provision of technical expertise and administrative support for policy research.

JAMPRO's role in the implementation process involves:

1. The monitoring of the network of public sector and other agencies required to implement particular strategies, programmes, projects and legislation as part of the National Industrial Policy;
2. The provision of data, reports, etc. on the monitoring on an on-going basis to the Technical Secretariat to facilitate research analysis, strategic planning, etc. for the support of the Development Council;
3. The implementation of investment and trade promotion strategies consistent with the aims of the Policy
4. Working with the Information Agencies of Government and the national media to broaden awareness of and support for the policies and programmes emanating from the Development Council and to provide responses gleaned from the public to it.

The mandate of JAMPRO to promote and facilitate investment and trade and to stimulate industrial development, places it at the centre of the implementation process of the N.I.P. Not only must the organisation concentrate on developing the targeted industry clusters, but it also has the responsibility of mobilising public sector and public involvement in the process.

The first set of information obtained from public sector agencies on strategies, programmes and projects being pursued under the N.I.P. have been compiled in electronic form and submitted to the Technical Secretariat for analysis.

A second report is due in October. JAMPRO recognises that it cannot act as a mere conduit for this information but it must undertake analytical work on the data obtained and provide this to the technical secretariat in a more value-added form.

To this end the organisation will reorganise its Strategic Planning area to be charged with the responsibility of assisting in strategy and plan development for the organisation within the context of the N.I.P. This unit will be equipped with the necessary technical expertise to help to keep the organisation focussed and also to supply the depth of analysis required by the Technical Secretariat.

The organisation has developed a close working relationship with the Secretariat and it is expected that this will be enhanced with the introduction of a strong Strategic Planning Unit.

FORMATION OF INDUSTRY ADVISORY COUNCILS

As part of the process of the implementation of the N.I.P. consultative system allowing for close interaction between Government, business and labour is required.

The National Planning Council (N.P.C) is the main medium for this consultative process supplemented by a group of Industry Advisory Councils with responsibility for focussing on industry and sector specific issues.

To date four I.A.Cs have been formed relating to three strategic clusters (see attachment). Work is advanced on the formation of the council for Information Technology and Telecommunication while preliminary work is being done on the establishment of the council for Shipping and Berthing and for Tourism.

The remaining two clusters should be established by the end of the year. The Industry Advisory Councils have so far been developed largely through the initiative of the private sector, led by the Jamaica Chamber of Commerce and with support from Neal and Massy. The establishment phase of these councils require full time attention and direction in order to develop representative and meaningful groups.

Mr. Anthony Gomes, Third Vice President of the Jamaica Chamber of Commerce has been working full time on getting these groups in order. It has been decided that when his tenure in his current job ends this month, he will be retained for another 4-6 months to assist in completing this establishment phase of the councils.

An issue that has arisen in all I.A.Cs so far relates to the provision of funding for the activities of the councils. JAMPRO acts as Secretariat for all councils and has been bearing most of the related administrative costs. The organisation has also put its research capabilities and available relevant information at the disposal of the councils. In other cases the private sector has been making some contribution. In the case of Mining for example, the companies have provided funding for the employment of a full time Research Officer. It is important that a firm decision be taken on the funding of this and other aspects of the implementation of the NIP.

The N.I.P. outlines a consultative relationship with private sector through the N.P.C. to the Development Council. To date the I.A.Cs have been communicating with the Development Council through MIIC/JAMPRO. The I.A.Cs have indicated a strong desire to have a direct relationship with the Development Council at the level of their Chairpersons. *It is extremely important that at this juncture the N.P.C. takes steps to formally incorporate the I.A.Cs into its agenda. This must be done to ensure that frustration does not develop after this strong wave of enthusiasm and interest on the part of the private sector.*

PUBLIC AWARENESS PROGRAMME

Since the launch of the Public Awareness Programme by the Prime Minister in 1996 formal presentations on the N.I.P. have been made in every rural parish. The remaining presentation for Kingston and St. Andrew will be held during the month of October with the Prime Minister scheduled to give the main address. JAMPRO is currently preparing a synopsis of the parish fora highlighting the main recommendations. *There is a general acceptance of the N.I.P. on the part of public and business interest groups with the major recommendation being for greater emphasis on infrastructural development.*

There continues to be a call for more publicity of the Policy as it relates to targets, plans and performance to date. At a previous meeting of the Development Council,

the decision was taken to do this and to use it as the rallying point for mobilizing national support for the goals of the National Industrial Policy. This needs to be done.

JAMPRO will continue to use public speaking engagements, newspaper reports and other appropriate P.R. media for communicating information on the N.I.P. Discussions have been held with the Jamaica Information Service (JIS) to produce a black and white question and answer pamphlet similar to the one used for the Green Paper on the National Industrial Policy issued in August 1994. The target audience for this pamphlet is those persons who find the full text difficult to understand, are unable to afford the full text or those persons such as young people and students who do not require the level of details contained in the full text.

Agreement has been reached on the amendments to the pamphlet and the JIS is currently doing a draft a publication. This pamphlet will be made available to all Missions, JAMPRO's overseas offices as well as a network of local Government offices. A draft copy is attached for review.

Jamaica Promotions Corporation (JAMPRO)
1997 September 10

STATUS OF INDUSTRY ADVISORY COUNCILS (IACS)

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER #5 - Mining - Caustic Soda - Ceramics - Industrial Minerals	1997 May 22	Ray Gendron - <i>ALPART</i>	Bernard Cousineau - <i>Alcan Jamaica</i> Barclay Ewart - <i>Alkali Limited</i> Eugene Miller - <i>Alpart Jamaica</i> Ute Schumacher - <i>Technical Secretariat, Development Council</i> Robert Cartade - <i>Western Cement Co. Ltd.</i> Lambert Brown - <i>University of Allied Workers Union</i> Rita Hylton - <i>Jamaica Exporters Assn.</i> Russlyn Sykes - <i>Nunes, Scholefield, DeLeon & Co.</i> Michael Goza - <i>Jamalco</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER # 5 Cont'd			Rory Robinson - <i>Jacmac Limited</i> Hugh Taylor - <i>Planning Inst. of Ja.</i> Angela Taylor-Spence - <i>Planning Inst. of Ja.</i> Arthur Geddes - <i>Consultant</i> Dave McLeod - <i>Industrial Minerals & Renewable Energy Consultant</i> Albert Gray - <i>Small Business Assn. of Ja.</i> Lilleth Harris - <i>Ja. Confederation of Trade Unions</i> Stanford Moore - <i>UWI (Dept. of Mgmt. Studies)</i> Dennis Morrison - <i>Jamaica Bauxite Inst.</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER # 5 Cont'd			Nora Blake - <i>Wahrmann Marks Realtors</i>
CLUSTER # 4a - Apparel	1997 May 6	Amb. Peter King	Dorothy Over - <i>La Moda Exports / Kingston Rep.</i> David Chin - <i>Davon Group of Cos. / JMA</i> Raymond Miles Jr. - <i>Sun Island / JMA</i> Paulette Rhoden - <i>Crimson Dawn Mfg. / JMA</i> Kirk Taylor - <i>Taylor Group of Cos. / Montego Bay Rep.</i> Shelly McPherson - <i>Classic Mfg. Co.</i> Shelly Josephs - <i>Hart Group of Cos.</i> Ronald Josephs - <i>Cupid Foundations</i> Robert Edwards - <i>Hanes Underwear</i> Denise Heffes- Martin - <i>Spunk Creations</i> Richard King - <i>Port Security</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER # 4a Cont'd			Andrea Graham - <i>Small Business Association</i> Pamela McLean - <i>Exim Bank</i> Sharon Nicholson - <i>Tee Apparel Ltd.</i> Errol Hewitt - <i>Kingston Free Zone</i> James Saw - <i>East Ocean Textiles</i> Russlyn Sykes - <i>Nunes Scholefield, Deleon & Co.</i> Gary Gunning - <i>Jamaica Chamber of Commerce</i> Donald Harris - <i>Technical Secretariat, Development Council</i> Ute Schumacher - <i>Technical Secretariat, Development Council</i>
CLUSTER #4b - Light Manufacturing		Barclay Ewart - <i>Alkali Ltd</i>	Donald McIntosh - <i>Sealy Mattress Co.</i> Michael Poole - <i>Caribbean Cable Co.</i> Noel DaCosta - <i>Desnoes & Geddes</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER #4b Cont'd			Ralph Thompson - <i>Seprod</i> Byron Thompson - <i>Seprod</i> Pamela McLean - <i>Ex-Im Bank</i> Helen Christian - <i>Life of Jamaica</i> Robert Reid - <i>Agribusiness Council</i> Daphne Graham - <i>Small Business Assn. of Ja.</i> Russlyn Sykes - <i>Nunes, Scholefield, DeLeon & Co.</i> Hugh Taylor - <i>Planning Institute of Ja.</i> Patrick Smith - <i>Jamaica Biscuit Co.</i> Ute Schumacher - <i>Technical Secretariat, Development Council</i> Eddie Bailey - <i>Jamaica Confederation of Trade Unions</i> Warren McDonald - <i>Berger Paints Ja. Ltd.</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER #4b Cont'd			Robert Parkins <i>- Salada Foods Ja. Ltd.</i> Stanford Moore <i>- UWI (Dept. of Mgmt. Studies)</i>
CLUSTER #3 - Agro-processing - Fresh Produce - Natural Fibres - Horticulture - Marine Products - Food Processing	1997 August 7	Beverley Morgan	Robert Levy <i>- Jamaica Broilers Group</i> Juliet Newell <i>- Tijule Co. Ltd.</i> David McConnell <i>- United Estates Ltd.</i> Patrick Sibblies <i>- Coffee Industries Ltd.</i> Douglas Orane <i>- Grace Kennedy & Co. Ltd.</i> Pauline Gray <i>- Jamaica Exporter's Association</i> Sybil Williams <i>- Agricultural Credit Bank</i> Robert Reid <i>- Agribusiness Council</i>

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER #3 Cont'd			Karl James - <i>Jamaica Cane Products Ltd.</i> Nicholas Jones - <i>Jamaica Producers Group</i> A.A. Bobby Pottinger - <i>Jamaica Agricultural Society</i> James Rawle - <i>Nestle - JMP Jamaica Ltd.</i> Harthan Foster - <i>Alcan Jamaica</i> Russlyn Sykes - <i>Nunes, Scholefield, DeLeon & Co.</i> Winston Stona - <i>Busha Browne</i> Stephen Henriques - <i>Kingston Industrial Agencies Ltd.</i> Stanford Moore - <i>UWI (Dept. of Mgmt. Studies)</i>
CLUSTER # 2 - Telecomm. & IT - Shipping & Berthing	To be established		

IACS	DATE OF ESTABLISHMENT	CHAIRPERSONS	MEMBERSHIP
CLUSTER #1 - Tourism - Entertainment & Sports	To be established		

Strategic Industry Clusters

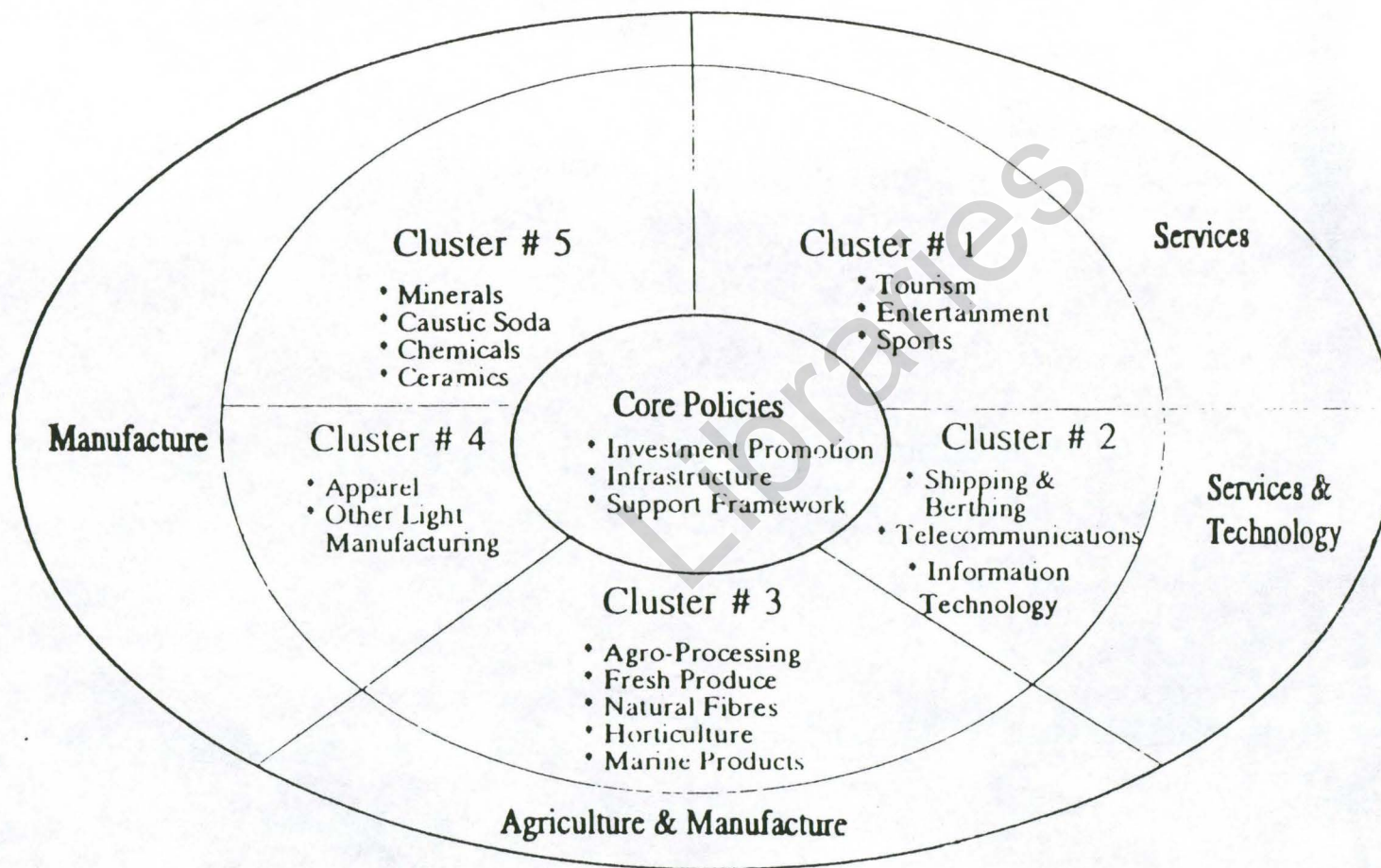


Figure ES. 2 Industrial Policy: Instruments and Targets

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INVESTMENT PACKAGING

1.0 Introduction

The importance of proper investment packaging has emerged in recent times as a crucial element in the mix that influences investment decisions. The success of Ireland, Malaysia and Costa Rica provides ample evidence of this.

- ◆ Ireland has attracted investments which generated 45,000 jobs over 3 years.
- ◆ As one of the rising Asian tigers, Malaysia has increased manufacturing as a percentage of GDP from 6.7% in 1960 to 31.5% in 1994. The manufacturing sector's contribution to GDP for 1994 was US\$14 Billion. Foreign direct investment accounted for 70% of total investment in manufacturing between 1960 and 1994.
- ◆ By developing investment packaging capabilities Costa Rica's trade and investment promotion board was able to attract a major US\$1/2 billion technology project from Intel.

This fact is given further recognition in the National Industrial Policy of Jamaica as part of a strategy of investment packaging (pg 66 - 68). Specifically, the National Industrial Policy *regards* ***"Investment Packaging as a highly targeted approach where efforts are made to influence the investments and location decisions of identified firms and group of investors"***. This process requires:

- ☐ That investment components of the investment package be consistent and wholesome.
- ☐ That project packaging skills be at international levels, and that the financial structure of projects meet the demands for debt and equity financing.

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- ☐ That project financing capabilities be marshalled to fund project implementation.
- ☐ That the approval process be streamlined, transparent and efficient.

In recognition of the above and the changing demands of the market, JAMPRO has repositioned itself to meet these demands while working with agencies critical to the process.

2.0 Building Technical Expertise in Project Packaging

Over the last five years, Jampro has experienced increased demand for its services in project packaging as project promoters seek government support for their venture. This demand is likely to increase as private investors seek to raise funds on the international market following the government of Jamaica successful bond issue. While this presents an opportunity, it will not be one that can be maximised by project sponsors as many need internationally competitive project documents to sell to world financiers.

Currently, there is a scarcity of available expertise to undertake project packaging assignments at both the industry as well as at the National level. JAMPRO's experience has shown that very little application of such skill is demonstrated in many institutions where such expertise is expected to reside. A recent survey of Consultancy firms with the required expertise to undertake feasibility studies amounted to fifteen (15). This lack of valued expertise has curtailed the orderly and timely development of projects and has led to the early expiration of some projects.

A useful approach to correcting this problem is to encourage a climate of healthy competition in the market place for services in project packaging by:

- ☐ ***Providing intensive training in all aspects of project development i.e. preparation, appraisal, evaluation and monitoring; including credit management and project financing.*** Currently there is one institution

providing intensive training in project development with annual graduation of approximately thirty (30) persons. Training should be conducted at all tertiary institutions and made available to all at a discounted cost. The difference between the economic cost and the discounted cost should be borne by the **Human Employment and Resource Training (HEART) Trust**. Accredited training and educational institutions should be eligible to be included in the programme provided their project development programme meets the standard laid down by an institution such as **Management Institute for National Development (MIND)**.

- ❑ ***Encourage public sector institutions to out-source services in project development as part of a drive for greater efficiency.*** This will require an in-house system to competently set parameters and evaluate the work of the contractors. This skill can be supplied from the pool of the trained personnel emerging from the aforementioned training programme. The out sourcing of services provides a valuable tool for building a network of expertise that surpasses project development and give rise to expanding the national pool of applied expertise in management, computer aided design skills and complimentary support services.

Within JAMPRO, the Project Development Department needs to upgrade its skills in order to be able to package projects to international standards. In this regard JAMPRO is ***seeking the engagement of an international Project Development consultant experienced in project packaging for global financing.***

3.0 Financial Institutions and Project Financing

The processing of projects by the financial institution has been constraining for projects in the pipeline seeking funding. Financial institutions appear to have weaknesses in their ability or willingness to evaluate and fund projects. Secondly, there seems to be a genuine lack of funds. This is notable particularly in relation to the emerging sectors of Information Technology, Music and

Entertainment and Tourism Attraction. **This problem is affecting approximately 71% of all projects in the pipeline amounting to \$17,626.0 million.** This is happening despite the recognition that Jamaica has the potential to compete globally in these sectors. ***Policy initiatives must be found to make venture capital a viable financial option to satisfy the demands for project financing. The finance clearing house as proposed in another section of this paper should be supported to provide further financing for projects.***

JAMPRO's own bottleneck analysis shows that fifty percent of the tourism projects particularly nature, heritage and cultural tourism are moving at an unacceptable pace because sponsors are unable to access suitable financing. This situation requires financiers to apply some creativity, using new tools and mechanisms to manage risk thereby allowing more and wider variety of projects to be financed.

The issue of risk remains the most critical factor in the decision making process determining the success or failure of a project to attract financing. There is country risk, product risk, constructing risk, management risk, technology risk among others. Depending on the project they all have varying significance on the success of the project and both financiers, investors and project promoters need to understand their relevance. In recognition of the need for training in this area, JAMPRO held a seminar in November 1996 on Risk Management to sensitise the financial sector to the alternative techniques available for managing risk in emerging sectors. The seminar was well supported by international presenters and local participants. This is to be followed up with a second seminar which will attempt to impart wider techniques for managing risk. The Inter-American Development Bank has indicated a willingness to co-sponsor the seminar.

JAMPRO has and will continue to make proposals *for widening and deepening the capital markets.* This strategy, among other things, will serve to *generate increases in the domestic savings rate as well as release funds to finance new projects.* The modified Banking Legislation being laid in Parliament presents an opportunity to generate renewed interest and action in this regard. Such a framework for change should consider the mobilisation of local and international capital.

It is in this regard Government Fiscal Policy can be the most potent instrument to assist in the development of these sectors. Global experience has indicated that Information Technology is best funded through **venture capital funds**. JAMPRO recommends the following policy measures to facilitate the development of the capital markets:

- ☐ Create taxation measures that will encourage the development of long term instruments such as annual tax write off equivalent to some portion of the sum invested in the instrument.
- ☐ Remove double taxation on dividends where this exists by allowing dividends to be written off against corporate profits similar to debt financing; or
- ☐ Remove withholding tax on dividends and make dividends paid-out tax free; but restricted only to listed companies.
- ☐ Create structures that encourage new operants into the capital markets such as exemption from taxes in year I and II of start-up.
- ☐ Create a venture capital pool of funds to fund the emerging sectors of Information Technology, Music and Entertainment.
- ☐ Design a tax package to provide an incentive for companies to go public with a write off for companies who convert from debt to equity financing; or
- ☐ Develop a two tier corporate tax rate in favour of public listed companies; e.g. 33 1/3% tax rate for private companies in contrast to 28 1/3% tax rate for public companies as a differential.
- ☐ Offer premium taxation reduction to savings which are placed in equity type investment instruments.

- ☐ Develop a long term savings instrument by introducing a Chilean model of social security reform. As part of a well managed portfolio, part of the deposits in such a pension fund could be invested in new projects.
- ☐ Develop a financial instrument which taps the steady and substantive inflow of overseas remittances. These inflows are defacto welfare payments used to finance added consumption. Added capital could be made available to the productive sector if recipients of remittances were enticed to save rather than spend.

Enact legislation and other measures to encourage the establishment of an OTC market in securities.

The development of an over-the-counter (OTC) is crucial as in most cases, the companies using this facility (OTC) capital market are small and below the level of capitalization necessary to meet the criteria for listing. These companies often use the OTC market to make offers or purchase equity. Consideration should be given to the following for the development of this market.

- ☐
- ☐ Reduce the 7 1/2% transfer tax as it is a major deterrent to the development of the OTC markets.

4.0 Development of a Formal System Among Banks to Discuss Projects

Banks have for a long time maintained good working relationship among themselves and tend to protect each others interest. This is notable in the areas of inter bank reconciliation, mortgages and the marketing of some debt instruments. In the areas of project financing i.e debt and equity, this working relationship is less notable. Some **syndication of debt** has taken place in recent times but this has proved expensive to projects. Moreover, disagreements have plagued the process regarding which members of the syndicate should be given senior debt status. Equally, the

issue of the lead syndicator's capability to monitor the project thereby protecting the interest of all the syndicated banks has been disappointing. With regards to **equity**, banks have cooperated in raising capital by private and public placement. This process is expensive and sometimes the funds raised are below the amount required to fund the project. International experience has shown that syndication is best handled by very large banks with specialist departments. Investment houses and brokerage companies have recorded good performance in this regard.

In the Jamaican environment the development of Investment Houses and Brokerage companies have been constrained by narrowly defined Fiscal Policy prescription and weak regulation., **JAMPRO proposes the concept of a Project Finance Clearing House** that will bring all projects to a central body for assessment, sharing of expertise and funding. The major financial institutions will have a seat on the Clearing House Committee. *The National Investment Bank of Jamaica (NIBJ) could provide the secretariat for the Clearing House as well as raise funding, with government guarantee, on the local or international market. These funds could be raised at least cost i.e. LIBOR plus 2 percentage points. This will make the rates very attractive in the Jamaican market so that project sponsors, financial institutions will be attracted to it as a first port of call. NIBJ and JAMPRO will manage this facility.*

5.0 Improving The Approval Process

Successful full Investment packaging is impacted by the speed and ease with which projects can obtain necessary government approvals. An analysis of the work of the Investment Facilitation Board and the business approval process in general , reveals an urgent need to completely overhaul systems and procedures in the public sector agencies and ministries in order to create a more investment friendly environment. This analysis and recommendations are attached.

CONFIDENTIAL**PORT ROYAL HERITAGE TOURISM PROJECT****1.0 Introduction**

Development Council is asked to note the progress as well as the difficulties being experienced in gaining required approvals/action from respective Agencies and Ministries in regard to Port Royal Heritage Tourism Project.

2.1 Background

By Decision dated 96/8/21, Cabinet approved the signing of a Memorandum of Understanding (MOU) between Pragma Development Company (PDC) and the Government of Jamaica for the development of Port Royal. Cabinet subsequently by decision dated April 7, 1997, approved the extension of the duration of the Memorandum of Understanding to June 30, 1997.

2.2 Section 8 of the MOU made provision for PDC to assign all its rights and obligations, by way of novation, to a subsidiary company, the Port Royal Development Company Limited (PRDC).

2.3 The MOU further required that the Enterprise Team satisfy itself as to the suitability of PRDC, since this entity would become the company with which the Definitive Agreement would be negotiated.

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2.4 The discussions surrounding the suitability of PRDC were protracted particularly because, contrary to what had been envisaged in the MOU, PRDC was not a subsidiary of PDC, but a public company with PDC as a shareholder.

2.5 During the course of the aforementioned discussions, the former Minister of Tourism and Chairman of Enterprise Team resigned, resulting in an unscheduled delay in implementation.

2.6 Subsequent to the appointment of Minister Robertson, the Deed of Novation was executed by GOJ, PDC and PRDC.

2.7 Delays have also occurred in addressing those areas of responsibility which involve cooperation between GOJ and PDC, and which are to be implemented prior to the execution of the Definitive Agreement.

3.0 Project Management/Co-ordination by Government

It has been agreed that an appropriately senior and skilled individual should be assigned full time to undertake the role of coordinator on behalf of the Government, so as to facilitate inter-ministerial and inter agency co-ordination and implementation of necessary activities relating to the Project.

4.0 **Definitive Agreement**

The re-drafting of the Definitive Agreement by the Attorney General's Department has not been completed.

4.1 **Water Supply**

At a recent meeting (August 15, 1997) convened by Minister Robertson to ensure action by Government Agencies and Departments in areas involving cooperation with Pragma Development Company, Minister Robert Pickersgill, Minister of Public Utilities and Transport advised that budgetary support for the upgrading of the delivery of potable water to meet anticipated requirements of 200,000 gallons daily had been requested but had not been approved.

It was agreed at the meeting that the Port Royal Development Limited (PDL) would meet with officials of the National Water Commission (NWC) to determine costings and time frame for this requirement. Thereafter the NWC would make a submission to the Ministry of Public Utilities and Transport in order for funding to be again requested.

Minister Pickersgill also explained that work in respect of upgrading the water supply would take approximately fifteen (15) months.

In regard to the Sewage Project it was understood that the Port Royal Development Limited (PDL) would meet this expenditure which would be repaid to the PDL by the National Water Commission (NWC) over five (5) years.

5.0 Incentives for the Project

Incentives being sought for the project have not yet been approved.

These are:

- duty free status including GCT exemptions on imports of goods, equipment and supplies to be used in the project
- tax free status for ten (10) years
- tax credit in accordance with the provisions of the Urban Renewal (Tax Relief) Act
- zero head tax if Port Royal is second port of call
- Port Royal up to year 2005 to charge a 50% reduction on the head tax currently being charged by Ocho Rios. A similar incentive should be applied if a ship is moved from Ocho Rios, Montego Bay or Port Antonio.

A meeting to discuss incentives for the Project as well as budgetary support for Ministries involved in the Project is to be convened shortly with the Minister of Finance.

Upgrading and Expanding the Port Royal Police Station

The Minister of National Security and Justice has given support for the required upgrading of the Police Station to be carried out.

Upgrading of Port Royal Fire Station

Costings for the refurbishing of the Fire Station are to be prepared by the Ministry of Works so that the necessary budgetary provision can be made.

Upgrading of Health Centre

Costings for the upgrading of the Health Centre are to be worked out to facilitate request for budgetary provision. The Minister of Health has given his support for this project.

NRCA Approval of Terms of Reference

The Pragma Development Company Limited has reported that new Terms of Reference for the consultant undertaking the environmental impact assessment study were submitted to the NRCA but no decision has yet been taken.

Minister Robertson recently wrote to the NRCA (copy of letter attached) requesting action in finalizing a decision on the Terms of Reference.

Conclusion

It is critical that the matters identified above be finalized so as to facilitate the signing of a Definitive Agreement. Delays now being experienced, could dampen enthusiasm for the Project and also quite likely erode private sector support and financing.

Ministry of Industry, Investment and Commerce
September 10, 1997

CONFIDENTIAL**REPORT FOR DEVELOPMENT COUNCIL****(1) SPECIAL ASSISTANCE PROGRAMME FOR THE APPAREL SECTOR****Introduction**

During 1996, many apparel manufacturers and exporters in particular complained that the operating costs in Jamaica were higher than those in other countries in the region. In addition, exports of apparel from Mexico to the United States were increasing significantly whereas a decline was being noted in the exports of apparel from Jamaica to the United States. By August 1996, the complaints from exporters became more intense as the effects of the revaluation of the Jamaican currency began to be felt.

In September 1996, selected members of the garment industry came together under the Jamaican Garment Manufacturers Confederation to highlight the issues critical to the growth and development of the sector.

Between November and December 1996, several meetings were held with representatives of the Ministry of Finance, Ministry of Industry, Investment & Commerce, the Jamaican Garment Manufacturers Confederation and JAMPRO. Several options were examined to determine how best the Government could provide assistance to the sector. A Cabinet Submission was prepared and presented to Cabinet by the Minister of Industry, Investment & Commerce.

On December 31, 1996 the Hon. Minister of Industry, Investment & Commerce, Dr. Paul Robertson announced that Cabinet had approved a programme of assistance to the sector. The Programme which would last for 15 months beginning in January 1997 would provide assistance of J\$200M for the sector with J\$40M to be disbursed in the last quarter of the financial year ending March 31, 1997. The package was arrived at as a result of an analysis of the data received from eleven companies from the industry. The package sought to address the needs of all categories of the industry and was intended to provide 5% of the overall average operating cost of the industry.

Phase 1

The sum of \$40M was allocated to Phase 1 of the programme and was intended to provide assistance in the areas of rental and security for both foreign and locally-owned companies with the latter also being able to claim for financing charges for the period January to March 1997. It was, however, decided that the first phase would end when the sum allocated had been exhausted.

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To date, JAMPRO has processed a total of Two Hundred and Eleven (211) applications from Forty-five (45) companies with a total value of \$37,517,546.00.

Observed Achievements of Phase 1

It has been observed that the operators of garment factories and in particular, the local companies have recognised the importance of emphasising the management function of the business and its contribution to the successful operation. It is apparent that they have also seen the need for maintaining up-to-date records.

Phase 11

The sum of \$160M has been allocated to the second phase of the programme which is intended to deal with the broader development of the industry emphasising its long-term competitiveness.

Approval has been granted for the following areas to be covered under this phase:

1) Technical Assistance to improve Productivity	10.25M
2) JAMPRO's Certification Fees	18.00M
3) Security Strengthening	3.95M
4) Extension of Phase 1 to October 1997	24.60M
5) Financing by EXIM Bank, NDB & NIBJ re risk coverage and subsidised interest rates	97.50M
6) Industry Marketing Programme	4.50M
7) Audit Grants	2.50M

It is to be noted that JAMPRO's Certification Fees have been reduced by two-thirds, i.e. from 0.3% of export value to 0.1%.

Companies must produce Audited Financial Statements and proof of up-to-date payments of all statutory deductions in order to qualify for the financing component.

With regard to the implementation of Phase II of the programme, JAMPRO has met with the industry and is currently processing applications and conducting technical audits.

It is to be noted that to date \$J 50 Million has been issued by the Ministry of Finance to fund the programme in the warrant for September.

Management Review Committee

A small Committee comprising representatives of the Ministry of Industry, Investment & Commerce, the Ministry of Finance, the Development Council and JAMPRO has been set up to administer the programme and approve qualified applications. Representatives from the Ministry of Finance and Ministry of Industry, Investment and Commerce strongly disapproved of the inclusion of the Jamaican Garment Confederation on the Committee due to the sensitive nature of the information received from manufacturers.

(2) APPAREL SECTOR - CLOSURES / OPENINGS

Listed below is a summary review of the apparel companies that closed between January 1994 and July 1997 (Table A). This is followed by a report showing the number of companies that opened or expanded over the same time period (Table B). More specific information on the companies that closed between January 1996 to date is contained in Table C.

TABLE A
CLOSURE OF APPAREL COMPANIES
FOR JANUARY 1994 - JULY 1997

<u>Year</u>	<u># of Companies</u>	<u># of Employees</u>
1994	8	2,067
1995	8	1,445
1996	21	5,543
1997	4	<u>790</u>
TOTAL	41	9,755

The total value of exports in **1996** for the companies which closed in that year was **US \$22.46M**. The total value of exports for companies which have closed in **1997** is **US \$10.54M**.

TABLE - B
NUMBER OF APPAREL COMPANIES OPENED/EXPANDED BETWEEN 1994 - 1997

<u>Year</u>	<u># of Companies</u>	<u>C.I. (J\$M)</u>	<u>Emp</u>
1994	11	151.84	1,280
1995	4	59.85	322
1996	7	127.23	550
1997	<u>4*</u>	<u>90.85</u>	<u>117</u>
TOTAL	26	429.77	2,269

* Two (2) of the projects implemented during 1997 involved capital expenditure on construction and these were by Jamaicans.

For the period 1994 - 1997

Total job losses	9,755
Total jobs created	<u>2,269</u>
Net job losses	7,486

More specifically; for the period January 1996 to date, the list of companies that closed and their reasons for closure are as follows :

TABLE - C
CLOSURE OF APPAREL COMPANIES
FOR JANUARY 1996 - JULY 1997

1996

#	COMPANY	# OF EMP.	US \$M EXPORTS '96	REASON FOR CLOSURE
1	Royce Limited	45	0.58	Lack of work
2	Fashion Express	31	0.02	High operating cost
3	Cotton Plantation	62	--	High operating cost
4	PanESCO Limited	550	--	High operating cost
5	Meigao	150	--	High operating cost
6	Hofab - Bayshore (No separate export figures for this location)	250	--	Softness in US market
7	Inglesmoor	35	--	High operating cost
8	Cotton Polyester	200	0.05	Financing
9	Samra Ind. Ltd.	300	0.09	Financing
10	Jasper Trading	125	--	High operating cost
11	Young One Apparel Industries	800	8.05	High operating cost
12	United Fashions	450	--	High operating cost
13	Manchester Apparel	380	5.57	High operating cost
14	Asini Incorporated	50	0.11	High operating cost
15	Yoffi Industries Ltd.	570	4.15	High operating cost and pilferage
16	Bongwon Apparel Co.	350	1.92	Fire

#	COMPANY	# OF	US \$M	REASON FOR
---	---------	------	--------	------------

		EMP	EXPORTS '96	CLOSURE
17	Quality Mfrs. Ltd.	150	1.82	High operating cost
18	Afasia Knitters Ltd.	230	0.04	Consolidation of operations
19	Jamaica Knitters Ltd.	110	--	Consolidation of operations
20	Clarendon Apparel Ltd.	580	--	Consolidation of operations
21	Montego Sewing Co. Ltd.	35	0.06	Lack of work
TOTAL		5453	22.46	
1997				
1	Jog Togs Ltd.	300	4.21	High operating cost
2	Daemyong Apparel Corp. Ltd	320	3.62	High operating cost
3	Bond Manufacturing (Ja.) Ltd.	150	1.38	Cancellation of contract due to poor quality & late deliveries
4	The Garment People	20	1.33	Financial Constraints and inexperienced management after the death of the principal
	TOTAL	790	10.54	

It is to be noted that Maidenform, the parent company of Jamaica Needlecraft Ltd. has announced its intention to close the company and has made redundancy payments to the workers. However, the actual date of the closure has not been indicated.

(3) **APPAREL SECTOR - COMPANIES CURRENTLY HAVING DIFFICULTIES**

JAMPRO has serious concerns about the future operations of the following companies:

#	COMPANY	# OF EMP.	US\$M EXPORTS '96	PROBLEM	ACTION TAKEN/TO BE TAKEN
1	Adola Mfg.	45	0.27	Lack of working capital to accept new contracts.	Phase 11 SAP
2	Cupid Foundations of Ja. Ltd.	350	7.75	High operating costs and violence	SAP Phase 11 and continued client servicing
3	Danscha Mfg. Co. Ltd.	90	0.62	Principal has indicated that operations may resume upon receipt of a contract and maintains that the company is not closed	JAMPRO has been sending enquiries to client who has accepted invitation to be in Bobbin Trade Show Sept. '97
4	Dino Michele Ltd.	10	0.23	High interest rates	SAP Phase 11. Client hopes to participate in Bobbin Trade Show Sept. '97
5	East Ocean Textiles	3,000	52.32	High operating costs and frequent drug finds	JAMPRO arranged for SAMS audit and has been constantly monitoring the company
6	Fine Line Mfg. Ltd.	110	0.35	Difficulty in meeting wage bill	Client servicing
7	Hong's Fashion Mfg. Ltd.	240	1.66	Contract with sole buyer David Peyser expires in October 1997	Company has accepted JAMPRO's invitation to participate in Bobbin Trade Show Sept. '97
8	H.W. & L.E Vaz Ltd.	35	0.31	High interest rates	SAP Phase 11
9	J.C. Apparel Ltd.	11	--	High interest rates	SAP Phase 11. JAMPRO has tried to assist the client in obtaining working capital without success

#	COMPANY	# OF EMP	US\$ EXPORTS '96	PROBLEM	ACTION TAKEN/TO BE TAKEN
10	KBR Industries	25	0.04	Management has indicated that operations could resume upon receipt of contract	Continued client servicing
11	Satisfaction Contract Mfg.	100	1.28	Revaluation	Continued client servicing
12	Port Antonio Textiles (formerly Ceriall Industries Ltd.)	35	0.28	Former buyer owed company a substantial sum of money and current buyer is uneasy about continuing arrangement with the company because of its precarious financial situation.	JAMPRO has met with the company's buyer and has met with the company's landlord to work out a payment plan for rental arrears
13	Starter Sportswear Ltd.	190	0.53	Lack of work as it lost contract with Island Textiles which set up own facility in	Continued client servicing
14	Tee Apparel Ltd.	250	2.24	High operating costs	SAP Phase 11
15	VTR International Textiles Ltd.	513	15.87	High operating costs and labour unrest	SAP. JAMPRO held several meetings re setting up a trust fund for workers in the event of closure
16	Williamson-Dickie Ltd.	300	12.39	High operating costs	Continued client servicing
TOTAL		5,304	96.14		

4) FACTORS INFLUENCING THE PERFORMANCE OF THE APPAREL INDUSTRY

4.1 NAFTA Parity

Exports of apparel from Mexico to the United States have increased significantly since the implementation of NAFTA in 1994. Simultaneously, the growth of apparel exports from Jamaica to the United States was minimal. Garment manufacturing companies which are seeking offshore locations will find it more cost competitive to locate their operation(s) in Mexico as the landed cost in the United States would be lower.

The lack of NAFTA Parity has affected JAMPRO's investment targets as off-shore investors are taking a wait-and-see attitude as far as investment in non-NAFTA countries is concerned. Given the high operating cost in Jamaica, overseas companies have stated that unless NAFTA parity is granted, they will not be able to continue their operations in Jamaica. Consequently, no new investment in the sector has been taking place.

4.2 High Operating Costs

Several companies have cited high operating costs as serious constraints to the continued successful operation of their plants. This problem was exacerbated by the revaluation in 1996 of the Jamaican dollar and the new Minimum Wage. Additionally, locally-owned companies, in particular, have suffered from the high interest rate regime. It is hoped that the financing to be provided under Phase 2 of the Special Assistance Programme will help to improve the financial viability of these companies.

4.3 Made in America Campaign

It is to be noted that the United States has embarked on a programme to encourage manufacturers to produce in that country and thus protect the jobs of American workers by providing certain concessions. One (1) company indicated that it lost its contract because its overseas contractor set up its own manufacturing facility in the United States.

4.4 The Upcoming General Elections

Some companies operating in Jamaica and some buyers from overseas have expressed concern about maintaining delivery schedules during the period leading up to the elections. It is anticipated that the environment will be unstable and workers may have difficulties in getting to work and staying for the entire day. Fresh in the minds of the companies, especially those operating in the Garmex Free Zone are the recent events in West Kingston which interrupted production at some of the companies. Some overseas buyers have expressed a concern about getting shipments out of Jamaica during the election campaign.

4.5 Crime & Violence

Companies have expressed a concern about the rising levels of crime in the country and the apparent inability of the security forces to control it.

Some companies which have been affected have not been satisfied with the response of the police when they have problems such as break-ins as they are not made aware of the progress of the investigations.

4.6 The Cuban Connection

Recently, a political figure in the United States was recommending strict sanctions against Cuba and Caribbean countries which traded with her. It is felt that CARICOM's relationship with Cuba may affect trade between the United States and its Caribbean neighbours.

4.7 Cargo Integrity

The recent find of ganja in New York in a shipment from Jamaica again brings to the fore one of the main hazards of U.S. companies doing business in Jamaica. The strict and costly measures for preventing contamination of cargo is a deterrent to existing and potential exporters.

4.8 Export Performance

Preliminary data indicate that there has been growth in apparel exports of 1.63% to all markets for the period January to June 1997 over the corresponding period last year. Exports to the United States declined by 3.79% although there was growth in 807A exports of 8.17%. CMT exports to the United States declined by 33.98%, undoubtedly because of the closure of several Far Eastern companies which did CMT work. There was a growth of 71.59% in exports to markets other than the U.S.A.

4.9 Work Ethics

On a more positive note, the Garmex Academy has included in its curriculum for operators a component on work ethics. It is envisaged that this should address some of the problems relating to poor work attitudes which workers have been displaying and about which operators of garment companies have complained.

(5) NEW THRUSTS / STRATEGIES FOR TRADE AND INVESTMENT IN THE APPAREL SECTOR

Jampro in effecting its' economic development mandate, has adopted a number of strategies that have produced, and will result in increased trade and investment in the apparel sector.

5.1. A strategic planning approach to the development of the Industry

From the strategic planning perspective, Jampro executive management has established a framework for approaching our economic development mandate in each sector. This framework involves the development of 3 year sector plans for each sector, and the development of 1 year marketing plans for each year to bring the three year vision to implementation.

The National Industrial Policy has been used as the context for the planning process, with particular attention paid to the concepts of value added, import substitution, export push, and establishing the strategic alliances necessary (Locally and internationally) to achieve implementation success.

The vision for the apparel industry is to enhance the economic value of the industry by moving away from the low value assembly end of the industry, into the higher value added end (characterized by "full package", and "own label" producers).

The dynamics of transition and development are taken into consideration both in the 3 year and 1 year planning process. This includes taking into account the Jamaican macro - economic environment (cost of finance and infrastructure), maximizing our current competitive advantages, training our management and labour force, and using strategic alliances to build market competence and product innovation.

5.2. The Jampro - Apparel Division (Textiles and Sewn Products) Intensification of efforts.

Within the framework of the strategic planning framework; Jampro's Textiles and Sewn products Division will continue its efforts in trade and investment promotion, market development and client servicing activities.

In the last financial year Jampro's apparel team (one director and four marketing executives) made 332 client visits and facilitated training for some 211 persons.

The Division facilitated the implementation of eight (8) investment projects with a total investment value of J\$ 143.4 million, generating employment of some 245 workers. On the trade promotion side the Division co-ordinated the industry's participation in 7 trade shows and participated directly in 3.

In the context of the difficulties being faced, and the challenge of transition, the Division has maintained very close contacts with apparel manufacturers and has been instrumental in generating, facilitating and executing solutions like the Apparel Industry Special Assistance Programme.

Apparel sector meetings have been scheduled to strengthen relations and to stimulate the input of the apparel sector. Further to this the Division in collaboration with Jampro's Information Systems department has established an apparel website for the industry.

The Division is also working with the Productivity Division and Jampro's Resource Center to enhance the industry support services offered by Jampro, particularly in the areas of training and technical services for the apparel industry.

More recently; to re-establish the industries image in the international market place, the Division has been responsible for co-ordinating industry participation at the AAMA Bobbin show to be held in Atlanta later this month. This trade show is the largest apparel industry show in the United States and will showcase Jamaica as **the premier apparel investment location**. This years' presentation at the show has been significantly enhanced to include the range of support services available in Jamaica in addition to exhibiting top Jamaican manufacturers in the 807, CMT and Full Package/Own Label categories.

5.3. The Apparel Industry Special Assistance Programme

Apart from the usual operations and services Jampro offers to the industry; Jampro has undertaken considerable work in the development of the industry through the organizations involvement in the design, development and implementation of the Apparel Industry Special Assistance Programme.

With the implementation of Phase I, some 46 companies benefited from assistance. The industry saw a dramatic decrease in the rate of closures and a net increase in imports of some 1.63% for the first six months of 1997 (when compared with the same time period in the previous year).

The structure of the second phase which was approved by Cabinet in August, has been designed to build on the first phase stabilization, by implementing development oriented strategies for the industry. The second phase of the programme provides for financing to the industry in the areas of working capital, debt restructuring, and retooling, audit grants, security strengthening, an extension of Phase I of the programme, the reduction of certification fees, and an Industry marketing programme.

The full implementation of Phase II is currently underway, spearheaded by a Jampro led implementation management committee .

4. The Industry Advisory Council (I.A.C.) - The Apparel Sector

Over the last two months Jampro has taken proactive steps in facilitating the formation and operations of the Industry Advisory Councils spoken to in the National Industrial Policy (N.I.P.).

The Industry Advisory Council (for the apparel industry) has provided the opportunity for co-ordinated input into the development process. To date two meetings have been held of the Apparel Industry I.A.C., and subcommittees have been established to take a strategic look at specific areas of the industry.

The Apparel Industry I.A.C. will be an important vehicle for the industry, and will require a strategic and solutions oriented approach from the sector. The conclusions drawn by the I.A.C. will be presented to the Development Council in the first quarter of the calendar year 1998.

Jampro continues to work very closely with the apparel industry to maximize the benefits of this process.

**CREATING COMPETITIVE AND STRONG
PRODUCTIVE SECTORS**

“GOING FOR GROWTH”

Recommendations

**Prepared for JAMPRO by
Donovan Dowie & Associates
Economic, Finance and Management Consultants (September 1997)**

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EXECUTIVE SUMMARY

Introduction

After six years of modest growth rates, the Jamaica's gross domestic product declined in 1996. The impact of structural adjustment, high interest rates and the failure of the financial sector to grow, emphasize the need to revitalize the productive sector.

However, for the productive sector to increase real output on a sustainable basis, certain constraints and distortions in the Jamaican economy have to be addressed. These include poor infrastructure, high utility costs, an uncompetitive exchange rate, high cost of capital among others.

The Objective

The objective of this paper is to present recommendations aimed at elevating Jamaica's productive sectors to internationally competitive standards and to place them on a path for sustainable growth.

Strategy

The broad strategy is to shift resources to the productive sectors, especially production for export, through a policy of selective intervention and market forces. The sub- strategies are to

1. effectively reduce input costs
2. drastically reduce the inefficiency of government agencies
3. significantly improve the technical efficiency of firms
4. improve the skills levels of both labour and management.

Specific Recommendations

The recommendations are divided into short, medium and long term. The short term recommendations are intended to have immediate positive impact on the efficiency and the bottom line of the firms. The medium and long term recommendations are to preserve and maintain the gains achieved in the short term.

Short Term Recommendations

1. Undertake a massive retooling exercise backed by a Retooling Fund financed by both the Government and the private sector.
2. Establish an Inter-ministerial Committee chaired by the Minister of Industry, Investment and Commerce which should be authorized to approve all investment, and all such approvals should be final and binding on each ministry.
3. Issue binding performance/delivery contract to producers. Government agencies directly interfacing with the productive sectors must be mandated to comply with this provision.
4. Reduce input cost by :-
 - Charging discounted utility rates to productive firms.
 - Promoting the establishment of Export Trading Houses and Export Linkage Firms.
6. Allow export promotion expenses an additional 50 % tax write off.
7. Implement Labour Productivity Incentive Scheme based on gross output.
8. Repackage and reemphasize all existing incentives through a high profile advertising campaign.
9. Establish a working group to resolve the issue of the existing debt of the productive sector.
10. Develop Producer and other price indexes.
11. Arrive at an agreement with all stakeholders on guidelines for the movement of all incomes.

The Medium and Long Term

1. Bring real interest rates to 6%.
2. Reduce inflation rate to 5% or less.
3. HEART/NTA to shift emphasis to outreach training.
4. Government should address the country's negative image due to the level of crime.
5. Bring infrastructure to internationally competitive levels by inviting private sector Financing.

CREATING COMPETITIVE AND STRONG PRODUCTIVE SECTORS

“GOING FOR GROWTH”

The Priority is Production

The Jamaican economy has grown on an average of 1.2 % per annum since 1990 (see Appendix 1). Most significantly, the economy declined by 1.7% in 1996. This rate of growth will be insufficient to provide the level of wealth creation required to establish a strong productive base. Our current situation will require that all energies and resources be directed towards productive enterprise. The rallying theme must be “Going For Growth In The Productive Sectors”.

For the Jamaican economy to withstand global competition, the productive sectors must be reshaped to significantly expand output, and in turn the value of real domestic product. Market forces should be exploited to enhance domestic production. However, selective interventions must also be used where market distortions and imperfections (e.g. economies of scale and scope, price subsidies and public goods) operate to eliminate Jamaica's productive industries. The measures that will work, will be those that make productive activities the priority for increasing real domestic income.

The economy has shown improvement in several key economic indicators. While inflation rates have remained high,(averaging 23% between 1974-1994), they have been trending down since 1995. The high inflation rates have influenced the foreign exchange rate, which has depreciated by an average of 19% per annum between 1974-1994. However, since 1995 the **exchange rate** has remained relatively stable, bringing with it a general **stability in the overall economy**.

Positive Net International Reserve

Another positive indicator has been the reversal in the Net International Reserve from a minus position in 1990 to its current positive position. The NIR has also brought about some measure of comfort, especially in the external financial markets, that the economy is beginning to benefit from the current policies. However, there are signs that these gains are being undermined as the productive sectors find it increasingly difficult to cope with the adjustment.

Exchange Rate Competitiveness

Since 1990, foreign exchange controls have been removed and import tariffs and trade restrictions have either been drastically lowered or eliminated. There has been a rise in the value of imports, while exports have failed to keep pace with imports. The result is that the merchandise trade gap has progressively widened. The overall Current Account has however been better than the trade gap, as the service sectors - e.g. tourism - continue to perform well.

However, the fundamentals are beginning to suggest that the Balance of Payment is coming under pressure. The Planning Institute of Jamaica's recent economic update states that both the Current and Capital accounts in the Balance of Payments deteriorated.

One main indicator which might point to reasons why the BOP is worsening is Jamaica's real exchange rates. The cumulative high inflation rates over the last eight years, have tended to make Jamaica's exports relatively price uncompetitive, which is reflected in an adverse real exchange rate.

Challenging Economic Environment

The **Economic** environment over the last 10 years has been extremely difficult. High inflation rates (e.g. 80% in 1992) have resulted in increased input costs and have fueled the depreciation of the Jamaican currency. Probably the most negative impact of the high inflation on the productive sector has been the uncertainty and instability that it causes. For exporters it has resulted in increased input costs which has progressively eroded external competitiveness.

The high interest rates associated with the adjustment have effectively checked money supply expansion, attracted increased foreign current inflows and assist in exchange rate stability. However, they also have resulted in large debt levels in most productive firms. There has effectively been very little real investment and a shift to high yielding money market instruments and little replacement of equipment. The consequence has been that many productive firms are structurally more inefficient today than they were five or ten years ago.

It is recognized that the open import policy has assisted in keeping prices down, especially in the market for imported foods and some consumer non-durable- e.g. appliances. The downside however, is that it has drastically reduced the domestic market share of many local producers and significantly contracted their incomes. There has been a marked increase in the number and value of imports (especially non-capital imports) which does not augur well for the future productive capacity of the economy.

The real impact continues to be that some firms have closed, while others have scaled down their operations, thus eroding the country's productive base even further.

The Jamaican productive sector is at a historic juncture, as it must fundamentally arrest the decline of the sector and recreate itself to cope with external competition. Many firms are experiencing great hardships and will need assistance to reorganize their internal processes to survive this period. They will also need a supportive and efficient external domestic environment in order to match global competitors.

The growing consensus is that it takes the coordinated effort of the entire government and productive sectors to achieve lasting economic growth and development. Increasingly, it is becoming accepted that the task of exporting one more good or providing another service, must be the result of the total effort of all players in the economy.

However, if Jamaican firms are to survive in the next millennium and the current ethos of open global competition, then the correct combination of internal and environmental variables must be achieved.

The Need for Greater Value Added

The National Industrial Policy (NIP) has outlined the broad strategies which are required to achieve the projected per capita income target of US\$4000 in the year 2010. It has correctly set as a key objective, the creation of strong and competitive export firms and efficient import substitution industries. The goal is to encourage production of more high-valued products and add more value to the current production processes within the economy. This is to be achieved by systematically implementing a multi-pronged plan to drive investment into tradable goods and services especially for exports (see appendix ii).

Achieving a Competitive Economy

The NIP recognizes that the solution to achieving international competitiveness is to make the total economy more efficient. When compared with economies such as Singapore, transactional costs (e.g. transportation or receiving government approvals) in Jamaica are relatively higher. Consequently, when these costs are aggregated, the final prices for goods and services from Jamaica are not competitive with those from many other countries.

Our economy has many elements which contribute to its inefficiency and lack of export competitiveness. These include, an untrained labour force, expensive and unreliable utilities, poor infrastructure, an inefficient bureaucracy, an uncompetitive exchange rate, lack of timely and accurate economic information, weak organizational and management processes, high cost of capital and the absence of specialized financial intermediates, among others.

A Genuine Commitment to Succeed

The broad macro-economic direction of liberalization is an acceptable one, because it correctly emphasizes that domestic firms and industries **must** become efficient if they are to achieve sustainable growth. Creating a totally efficient economy is crucial to making the productive sectors strong.

The recommendations in this paper are based on this fundamental position. Consequently, they are specifically aimed at overhauling the inefficient structures, institutions, and processes that impact production. The success of these measures however, will depend on all groups making a genuine commitment to make Jamaican industries internationally competitive.

A PHASED APPROACH

For the following recommendations to be effective, they will have to be implemented on a phased basis. This is in recognition of resource constraints - e.g. capital, and trained expertise - and the time to plan and implement major projects. Also, some of the proposed initiatives have to precede others.

Short Term Recommendations

These recommendations are classified as short term because they either are currently being implemented or should be implemented within the next ninety (90) day.

1. Establish Retooling and Modern Mechanization Fund

Jamaican producers will never be able to compete unless they retool their plants. Indeed, retooling is arguably the single most important factor in achieving lasting competitiveness. The current state of the machinery and equipment in the country is poor, as the age of equipment in some industries is in excess of thirty years. The newer counterparts to some of the equipment can produce as much as a hundred times their output levels.

Obviously, the economies associated with such efficiencies can translate to very low unit costs. When all industries are considered - e.g. sugar, plastics, chemicals, et al, - it will require a sizable amount of capital resources to bring Jamaica's industries to internationally competitive standards. New ventures requiring modern equipment should also have access to these funds in order to be cost competitive from the outset. An immediate audit of the productive sectors must be done to ascertain their needs, in order to be able to determine the size of the fund.

- i. The recommended approach is for the private sector, the Government and external funding agencies to contribute to the **Retooling Fund**.
- ii. Local and foreign firms can be encouraged to contribute to the Retooling Fund, in exchange for tax concessions or concession on profits. Contributions may be a nominal percentage of gross profit or gross revenue.
- iii. Also, Financial institutions may write off some multiple of annual contribution against profits and or treat all or part of such contribution as capital reserves. This will allow them to increase their lending for this or similar productive activities. Again, existing firms may establish subsidiaries to benefit from these incentives.
- iv. To jump start the process, the Ministry of Finance should immediately grant tax exemption for incomes generated from specially created financing facilities by banks, AFIs or companies, dedicated to retooling firms.

3. Reduce High Transactional Costs Attributable to Government.

The productive sector must be allowed to produce, as much as is possible, at the real **economic** cost of production. Consequently, the Government along with the **various** industries must work together to eliminate those taxes and other encumbrances which unduly place a charge on final output. This must be done especially when there are no obvious parallels for competitors.

The present mechanisms and processes for granting approval in most government agencies are still complex and time consuming. Consequently, they will require some overhauling if they are to effectively improve the approval system .

It is against this background that the following key recommendations are being made.

- i. *That investment proposals be approved by an Interministerial Committee* (a sub-committee of Cabinet) chaired by the Minister of Industry, Investment and Commerce. The Committee's approval should be final and binding on all ministries.
- ii. *That a supporting mechanism in which an individual in each ministry/agency is designated* to ensure the expeditious treatment of investment proposals referred to the above mentioned Inter-ministerial Committee.
- iii. *The introduction of binding performance contracts* by government agencies - Collector of Customs, Trade Board, Department of Taxes, etc. - which directly interface with the productive sector. Failure to deliver these services should result in legal or regulated penalties- e.g. a stipulated amount of compensation. This will undoubtedly increase their efficiency and help to reduce the problem.

4. *Reduce Effective Input Costs*

- i. *Export Linkage Firms* which supply inputs to the export sectors at an agreed percentage markup above cost, should receive tax incentives. Qualifying businesses can include financial intermediates, packaging, transportation and security for the export sectors. Existing firms can establish subsidiaries to ensure transparency. All such firms of course, will be subjected to the usual statutory regulations and will be required to make special quarterly and annual declarations.

- ii. *Export Trading Houses* would operate as cooperatives mandated to get Jamaican products into every external market. These Trading Cooperatives, would receive tax free status and have the full backing of the Government to set up import companies in other countries and arrange shipping and other transactions for their members.
- iii. *Discounted Utility Rates For Productive Sectors.* The utility companies should charge exporters a special rate which reflects a discount, based on some agreed level of internationally accepted unit cost for the utilities. In return, export companies will pay their utility bills in foreign exchange. Other productive firms which operate two or more shifts should also pay the discounted rate. In addition, there must be immediate measures to begin the process to gradually reduce the implicit subsidy by businesses to consumers.
- iv. *A 150% Write-off of Advertisement and Promotion Expenditures in Export Markets to be Granted to Export Firms.*

5. *Implement Measures to Improve Efficiency*

- 1. *Labour Productivity Incentives*, linked to quarterly percentage increases in output. Workers will receive income tax credit based on quarterly improvement in gross output levels which meet agreed standards. This will be linked to a system of publishing daily production out-turns which workers can verify.
- 2. *Reimbursable expenses for Quality Maintenance.* Make the internal checking of output standards by the Bureau of Standards a fully reimbursable expense.
- 3. *Repackage and Reemphasize All Modernization Incentives.* Immediately implement all existing Modernization Improvement Incentives and those stated above, accompanied by a high profile advertisement campaign. This is to make existing and potential beneficiaries aware of their entitlement.

6. *Establish a Working Group on Debt Restructuring*

The financial sector, productive firms and the Government should immediately put in place a working group to resolve the commercial debt problem, as it affects the productive sectors. The areas of solution reside in formulating principal and interest moratoria, special treatment for debt linked to the acquisition of capital and raw materials and issues of dealing with debt write-offs. There also exists the prospects of encouraging the formation of institutions willing to purchase parts of the debt at attractive discounts and carrying it for a longer period - say 5- 10 years.

7. *Provide Funding to Develop Producer and Key Industrial Indexes*

Funding should be identified to enable STATIN/PIOJ to begin to generate producer, industrial, wholesale, and real sector indices as a matter of urgency. Government should also provide incentives for firms to invest in the compilation and maintenance of these and other economic indicators. The availability of timely and accurate information on prices and real sector variables, is essential for making correct policy, as well as profitable business decisions.

Production and related indexes are also important in tracking and comparing the performance of Jamaican producers. Consequently, producers must begin to see the benefits in providing basic information on their operations for these indexes to be meaningful.

8. *Improve Technical Expertise*

- a) Establish Technical Exchange Network. JAMPRO, through its Manpower Unit will be setting up a Technical Expertise Exchange Network (TEEN), to link appropriate skills sets with deficiencies in companies. JAMPRO will interface with both local and foreign specialist and Institutions, and firms requiring these skills.
- b) Grant 50% tax credits for training expenditures of firms

Medium Term Recommendations

The following recommendations are classified as medium term as they will require more than ninety (90) days to be effectively implemented. However, these measures should be fully operational within eighteen (18) months to two years.

1. *Bring Annual Inflation rates to 5% or Less*

The economy must maintain low and competitive inflation rates if it is to nurture strong and viable industries. Given the prevailing international inflation rates, the Government must continue to lower inflation rates to below five percent (5%) per annum.

To achieve low inflation the Government must continue to effectively balance money supply expansion and Jamaica's relative inflation rates. It should however apply a combination of monetary measure as well as generating effective fiscal surpluses (i.e. Government's net monthly revenues exceed expenditure).

2. *Target for Real Effective Lending Rates of 6% Per Annum*

By successfully keeping inflation rates at the targeted levels, Government must then indicate to the money and capital markets what real lending rates it deems necessary for economic buoyancy and expansion. The target should be for effective nominal (i.e. medium and long run) lending rates of 10% per annum or less.

These rates should at best be translated into real effective rates of about 5% - 6%, so as to mobilize the requisite level of savings. This is to enable the productive enterprises and export firms to have a fair chance to truly compete.

To achieve competitive interest rates, the Government must have a cohesive strategy to assist in the mobilization of an increased pool of capital and provide the framework for productive activities to benefit.

Over the coming months the Government should systematically do the following.

- *New financial instrument to lower interest rate.* Indicate to the financial sector that it will offer attractive concessions to financial products which meet the above rate objectives. The underlying principle is to significantly reduce the cost of capital to the sector. Financial products - whether loan facilities, instrument, or other classes of lending - will be linked to the reduction in liquidity requirements, in taxable income and/or capital gains exemptions in the case of foreign institutions.
- *Offer tax free status to institutions which specialize in lending to the export sector at agreed rates, or provide venture capital.* Similar status to be granted to financial instruments which underwrite, insure or facilitate raw material access or export shipment.
- *Government to provide partial guarantees and tax free status for deposits or capital instruments which might be taken or issued by such institutions.*

3. *Finalize Agreement on Guidelines for increase in Incomes*

The need for a consensus on the growth in wages and salaries during this exercise of making firms more efficient, cannot be understated. It is fully recognized that arriving at this consensus involves patience. ***Consequently, the Government should get the key players to agree on guidelines for increases in all incomes.*** It should dispassionately present the case for low cost inputs and efficiency to the public, who will gradually see the merits in the overall direction.

4. *Upgrade Technical and Managerial Skills Levels*

It is generally agreed that the standard of personnel at all levels in the sectors needs upgrading. The responsibility will rest on individuals, firms and the Government to constantly re-equip the work force with new information and techniques, to be on par with other economies.

Productive firms must commit a minimum number of training days per annum for all production staff, in order to qualify for continued Government approved benefits. Training can be external or in-house and must not result in any loss of pay or benefits to the participants.

However, as participants will gain from these sessions, it might be required that they attend training sessions outside the regular work hours.

The Government on its part, must continue to commit an increasing amount of real expenditure to all levels of education; especially at the basic and primary levels.

- *Increased funding to all tertiary and technical training institutions* to have on-the-job training modules that are partially funded by the Government. Also, there should be continuous documentation on the progress of the enterprises.
- *Trade Unions should be encouraged to collaborate with training institutions* to host training sessions for similar worker classifications. The Government through the Ministry of Labour could provide assistance to these initiatives.
- *The HEART/NTA must shift its emphasis to outreach training*, in which it develops customized training for firms in collaboration with specialists and other training institutions.
- *Emphasis on broader morals and ethics* – honesty, honouring one's commitment, the work ethic, pride in one's country et al. These intangibles, if well placed, can help inspire and motivate the population to meet the global challenges and successfully overcome them.

5. Address the Country's Negative Image due To the *Level of Crime*

The Government must continue to be tough on crime. Recent reports that most categories of crime have fallen are indeed encouraging. However, the areas of murder and drugs in exports continue to increase. These crimes negatively affect the level of production and investment, particularly, foreign direct investment. There must be a campaign to combat the negative image of Jamaica abroad. If the issue of crime is not effectively dealt with, then the success of the proposed measures will be difficult, if not impossible, to achieve.

Long Term Recommendations

Attract Private Capital to Finance the Country's Infrastructure

The long run emphasis should be on bringing the country's infrastructure to world standards. The economic fortunes of Jamaica will be inextricably linked to the quality of its highways and roads, ports, utilities, transportation systems and telecommunication network.

Jamaica's ability to attract and keep new investment will rest in great part on how well its infrastructure matches up with those of other countries. The private sector should begin to formulate plans to capitalize on the opportunities which exist in the area. The Government must also send clear signals that it is willing to support private sector initiatives aimed at creating the desired infrastructure.

CRITICAL SUCCESS FACTORS

The productive sectors are important to the country's economic survival and so the combination of proposed measures must be adopted as a matter of urgency. However, the success of the measures will depend on several crucial factors. A key issue is the Prime Minister's role as chief trade and investment ambassador of Jamaica. **The high profile image of the Prime Minister leading and championing the cause for more production and greater efficiency will be key to the success of this initiative.**

1. Implementing **all short term measures** simultaneously within the next ninety (90) days. This is to create a shock effect and to send a very positive signal that all parties are serious in arresting the current decline. In order that the measures have the widest support, it is advisable that they have Parliamentary support. To be effective, this package of measures should be implemented on a ten year rolling basis.
2. Make as a priority, the establishment of the retooling fund that should become operational by the last quarter of this fiscal year or early in the next fiscal year. Both the Government and the sector leaders must present a joint front by publicly supporting all the measures on which there is clear consensus.
3. The JMA, JEA, SBA, PSOJ, the Ministry of Industry, JAMPRO and the Office of the Prime Minister, must jointly establish a production support group which will inform and direct individuals and firms on how to access assistance and incentives.
4. The existing culture of restricting information - production data, product methods - will have to give way to a greater level of openness and sharing. Government agencies - Collector of Customs, National Water Commission, et al - must open their operation to greater scrutiny to ensure that producers do not continue to bear the inefficiencies of their operations.
5. Lastly, **all parties** must see this initiative as the beginning of a medium to **long term** process, with success measured in small, positive increments at a time. Also, every achievement regardless of how small, must be trumpeted and repeated with more resonance than the negatives.

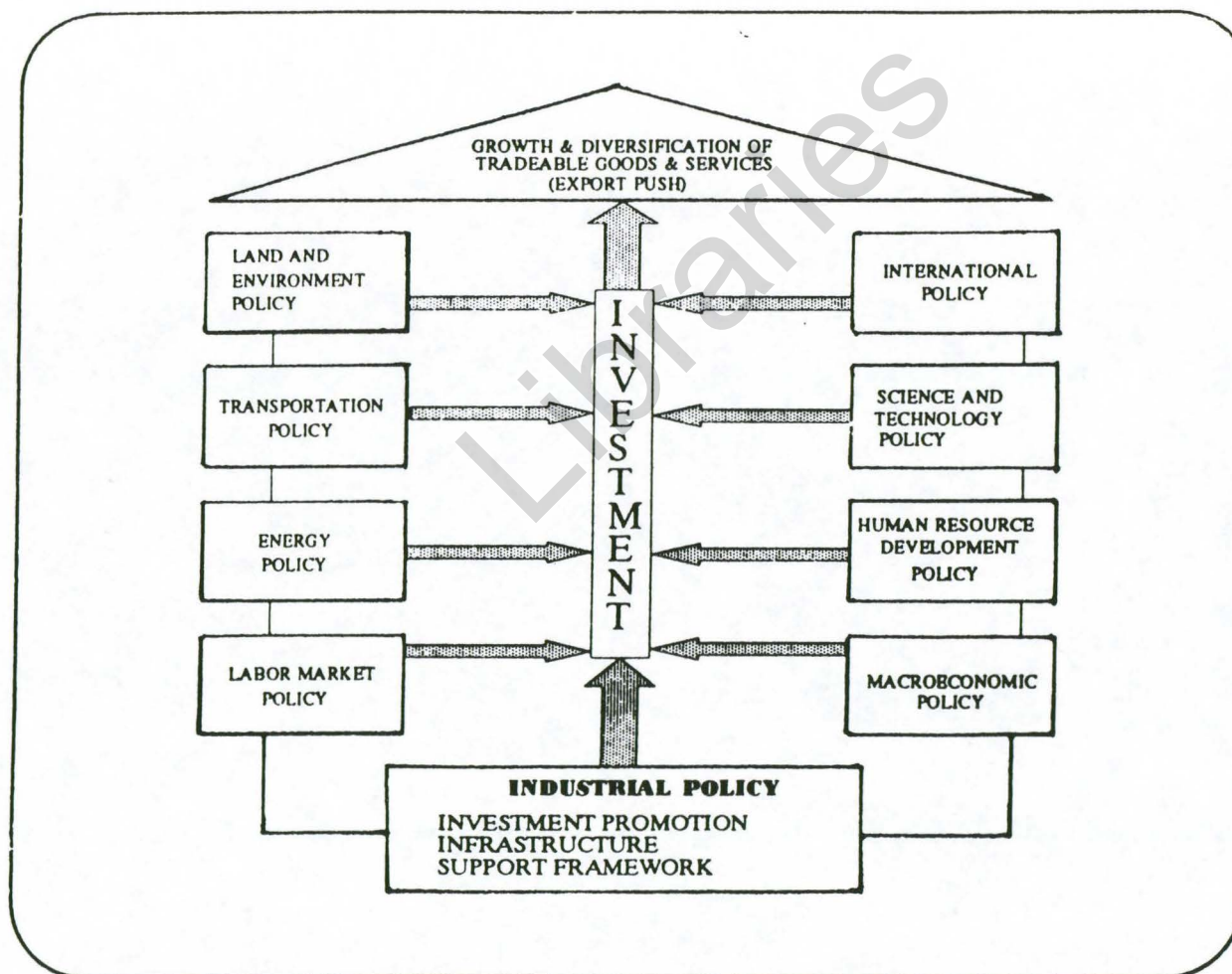
MAIN AGGREGATES AND PER CAPITA INDICATORS 1987 - 1996

Table 1

Appendix 1

ITEM	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Main Aggregates (\$'Million)											
Gross Domestic Product in Producers' Values at Constant (1986) Prices	13,898.2	14,981.2	15,408.4	16,459.3	17,358.8	17,486.4	17,756.7	18,000.8	18,202.7	18,301.4	17,987.1
Gross Domestic Product in Producers' Values at Current Prices	13,898.2	16,640.0	19,458.1	23,400.1	30,517.6	44,905.7	73,253.9	97,681.3	129,309.9	165,289.2	202,137.7
Percentage Change (%)											
Rate of Growth of Gross Domestic Product in Producers' Values at Constant (1986) Prices	1.6	7.8	2.9	6.8	5.5	0.7	1.5	1.4	1.1	0.5	-1.7
Rate of Growth of Gross Domestic Product in Producers' Values at Current Prices	19.0	19.7	16.9	20.3	30.4	47.1	63.1	33.3	32.4	27.8	22.3
MEAN POPULATION ('000)	2,317.1	2,327.4	2,329.8	2,344.8	2,368.9	2,388.5	2,411.3	2,434.8	2,459.4	2,488.1	2,515.5
Per Capita Indicators (\$)											
Gross Domestic Product in Producers' Values at Constant (1986) Prices	5,998	6,437	6,614	7,019	7,328	7,321	7,364	7,393	7,401	7,356	7,150
Gross Domestic Product in Producers' Values at Current Prices	5,998	7,150	8,352	9,980	12,883	18,801	30,379	40,119	52,578	66,432	80,357

FIGURE ES. 1 POLICY INTEGRATION AND COORDINATION



DEVELOPMENT COUNCIL SUBMISSION

Financing for Development

The Public Sector Development Financial Institutions are -

1. National Investment Bank of Jamaica (NIBJ)
2. National Development Bank (NDB)
3. Agricultural Credit Bank (ACB)
4. Jamaica Mortgage Bank (JMB)
5. Micro Investment Development Agency (MIDA)
6. Export-Import Bank (EximBank)
7. Self-Start Fund

2. These institutions are engaged in providing financing for the productive sector. NIBJ provides equity investment, while NDB, ACB and EXIM Bank provide loan financing to large scale enterprises. MIDA's main area of focus is the development of small scale businesses while the Self-Start Fund concentrates on very small scale businesses. The Jamaica Mortgage Bank provides financing for private sector housing development for low to middle income earners.

3. In recent months, there has been a marked increase in demand for financing from all Public Sector Financial Institutions, which has resulted in a shortfall in funds available for lending for development. The demand for resources and the proposed disbursement are set out in **Appendix I**.

4. The seven agencies have identified that the demand for funding amounts to US\$105M and J\$3,477M. The proposed disbursements total US\$102.21M and J\$2,993.42M in 1997/98.

5. Financing identified for foreign resources are:

Institution	US\$M	Source
NDB	15.0	\$5M was acquired from NIBJ and \$10M from Barita Investments.
ACB	2.0	From existing lines.
EXIM Bank	<u>36.57</u>	From medium term loans and lines of credit.
	53.57	

6. The following gives an indication of sources which are already in place or will be available for funding the local financing requirements for the institutions during 1997/98:

Institution	Source	Amount J\$M	
NDB	Equity Financing from CDF	200	
	Short-term advances from NIBJ	200	
	BNS loan	<u>350</u>	750
NIBJ	Bond Issue Proceeds (96/97)	330	
	CDF - Equity (96/97)	<u>500</u>	830
MIDA	CDF	100	
	Budget	<u>4</u>	104
ACB	Reflows	234	
	BNS	<u>150</u>	384
EXIM	Medium Term loans, lines of credit, internal generation		1,950
Self-Start	Budget		<u>15</u>
			<u>4,033</u>

7. Given that the total resources required to finance existing demand amounts to US\$105M and J\$3,477M, and that the available resources amount to US\$53.57M and J\$4,033M, local funding requirements can be met for each institution by reallocating resources among institutions. The NIBJ's request for an additional \$500M from the Capital Development Fund in this financial year would therefore not be necessary.

8. However, there is a shortfall of US\$48.6M in foreign currency requirements. The Ministry of Finance & Planning will ascertain whether there is a genuine demand for those funds. If there is a genuine need, arrangements will be made to acquire the necessary foreign currency.

Ministry of Finance & Planning
September 10, 1997

APPENDIX I

A. Demand For Resources

	US\$M	J\$M
NIBJ	69.6	347.0
NDB	27.9	406.0
ACB	7.5	300.0
EXIM-Bank	-	1,950.0
MIDA	-	104.0
JMB	-	350.0
Self-Start	-	20.0
Total	105.0	3,477.0

B. Disbursement Schedule in 1997/98

	US\$M	J\$M
NIBJ	41.23	-
NDB	17.41	270.42
ACB	7.00	304.00
Exim-Bank	36.57	1,950.00
MIDA	-	104.00 x
JMB	-	350.00
Self-Start	-	15.00
Total	102.21	2,993.42

UPDATE ON STUDY - WATER & SEWERAGE SECTOR DEVELOPMENT AND PRIVATISATION STRATEGY

The Water Sector Rationalisation Strategy and Privatisation Study (the Study) is being carried out in three phases as follows:

- Phase I to examine the availability of water for all areas of the island, particularly the Kingston Metropolitan Area (KMA), and make recommendations to resolve any short to medium-term conflicts in the use of water. It will also examine and make recommendations for appropriate revisions of the institutional arrangements for the water and sewerage sector and an appropriate regulatory framework for the sector within the context of the rationalised institutional arrangements. Within this context, it will also identify the options for improving sector performance through the involvement of the private sector.
- Phase II to address the detailed implications of the broad structure recommended by Phase I and make proposals for the organization structures required for the reorganised sector, including the regulatory institution(s) and appropriate tariff adjustment mechanisms. It will also make proposals for financing the organisation(s), including any requirements for subsidies and the method of transparently transferring such subsidies. It will also make recommendations for the appropriate institutions and structures to undertake the overall planning of the sector, and recommend a permanent system to allocate scarce water resources between competing uses. It will also further identify projects suitable for private sector financing and operation and the details of the arrangements and any special policy measures required to facilitate this private sector participation.
- Phase III will address the implementation program, including the required legislative and regulatory changes, and prepare a detailed strategy, program, and implementation schedule for the sector reform and privatization. This Phase will also include the preparation of any lease, concession or bidding documents required for such private sector involvement.

The Phase I Study was completed in April, 1996 and shortly after, the findings and recommendations were accepted by Government.

Findings and Recommendations of Phase 1 Report

This phase of the study examined the critical areas of operation of the main agencies involved in regulation, development and operational management of the sector and made appropriate recommendations aimed at promoting the following objectives of Government.

- Efficient and reliable supply of water at least economic cost.
- Attract local and foreign private capital and broaden ownership.
- Environmentally acceptable operation of the Water and Sewage Sectors.

Regulatory Framework

The Water Resources Authority (WRA) is the agency responsible for developing the master plans for water resource utilisation, regulating its allocation and use, conducting basin studies and providing leadership in respect of Water Resource Policy, Planning and Evaluation. The present regulatory regime is somewhat fragmented. There is a need to examine overlapping functions under the WRA and Office of Utilities Regulation (OUR) Acts, to consider re-allocation and consolidation of duties.

Further, amendments will need to be made to the OUR Act so as to enable economic regulation of the delivery of water services.

Development and Operational Issues

Planning

Improved co-ordination between the resource agency (WRA) and the user agencies (NWC, NIC) in the planning of projects needs to be put in place as a matter of urgency. If a marked improvement in the co-ordination of planning is to be effected, the WRA will have to stridently discharge the responsibilities of its new role.

It is necessary to begin to shift the focus from capital projects for the development of new water sources to improving efficiencies in respect of water presently being supplied.

Investment Needs

Total investment needs required to meet 2015 demands, for both construction of new schemes and renovation of existing works, are estimated at US\$ 2185 Million. This consists of US\$ 1323 Million for Non Agricultural Water, US\$ 261 Million for Agricultural Water and US\$ 601 Million for Sewerage improvements.

Revenue Issues

There is need for a clear policy decision on whether to structure tariffs, for agricultural and non-agricultural water and sewerage services provided, based on recovery of all capital and operating costs associated with their efficient supply (including a rate of return).

Water is essential to life and must therefore be available to all citizens in sufficient quantity and quality to sustain life. It is also a catalyst to industrial and agricultural development. The cost recovery mechanism therefore, having regard to special circumstances identified and agreed ahead of time with Government, needs to encompass: Tariff, User fees, Millage, and Special Government subvention.

Unless the entities providing service are financially viable they will be unable on their own to attract private capital for improvement and expansion of their delivery capability.

Privatisation Considerations

The Study recognised that unless the various entities providing service were financially viable, they would be unable to attract private capital for improvement and expansion of their delivery capability on their own. It also found having regard to the peculiarities of the Jamaica situation and the responsibilities of Government, the structure of ownership of assets and existing entities would warrant further detailed analysis and consideration if the sector were to be organised for privatisation at any level. The Study recommended that at this stage it would be preferable for Government and or its operating agencies to continue to own all existing water and sewerage related infrastructure as well as all water resources over the short to medium term. It however suggested that private participation in ownership and operation of existing operating entities could be considered for the medium to long term by way of leases and/or concessions, but that wherever feasible, even in the short term, efforts should be made to develop projects which would be suitable for operation as Build-Own-Operate and Transfer (BOOT), or Build-Own-Operate (BOO) schemes.

It also recommended that Government should also retain responsibility for regulatory matters and that the

operating agencies should have responsibility for operations and securing the necessary financing for the sector.

Phase II Study

Phase II of the Water Sector Development and Privatisation Strategy Study will build on the Phase I Desk Review of the Water and Sewerage Sector by addressing the implications of the recommended institutional structures, including the regulatory institution (s) and the required tariff adjustment mechanism, etc. In addition, it will also carry out a detailed review of the projects currently in the NWC's portfolio and make recommendations as to which of these projects would be suitable for operation as Build-Own-Operate and Transfer (BOOT), or Build-Own-Operate (BOO) schemes. Further, it will develop proposals for introducing private participation in the operations of the National Water Commission (NWC) and the National Irrigation Commission (NIC)

Objectives

The overall objectives of the Water Sector Rationalisation Strategy and Privatisation Study are to:

- (i) review the various reports and recommendations of previous studies and recommend an institutional structure for a privately-owned water sector and a regulatory regime, which would promote the following objectives:
 - (a) provide efficient and reliable supply of water at least economic cost
 - (b) attract foreign and local private capital and broaden local ownership
 - (c) promote environmentally acceptable operation of the water sector
- (ii) define ownership of constituent entities as well as a regulatory framework consistent with the recommended ownership structure and required institutions to regulate the sector.
- (iii) prepare a privatization strategy to implement the institutional, regulatory and ownership changes recommended.

The specific objectives of the Phase II Study are to:

- (i) develop plans for creating the new corporate entities with public ownership and describing the organisational structures;
- (ii) prepare detailed financial projections for the entities;
- (iii) identify development projects which will be suitable for private sector financing, ownership and operation under BOO or BOOT schemes;
- (iv) indicate initial tariff adjustments required to support the proposed financing strategy and the nature and level of any subsidies required;
- (v) describe a suitable regulatory regime for the sector and develop plans for its implementation within the WRA and OUR; and,
- (vi) prepare drafting instructions for proposed modifications to existing legislation

Deliverables and Timetable

The Phase II reporting targets will be as set out below:

Item	Days From Start
• Submit Draft Report on the <u>detailed</u> institutional and organisational requirements for the recommended sector reorganisation structure and regulatory framework for the sector.	120 days
• Review by GOJ and its Agencies.	135 days
• Submit Final Report on recommendations.	150 days
• GOJ approval of recommendations in study	165 days

Current Position

The Terms of Reference for the Phase II Study (TORs) which were based on the earlier submissions have been prepared by NIBJ and forwarded through the Cabinet Offices Public Sector Modernisation Unit to the World Bank for its approval. The World Bank has indicated that because of the estimated cost (US\$400,000), the Study will have to be advertised internationally. An advertisement seeking consultants who wish to be prequalified for undertaking the Study will be published in the local press and in the United Nations "*Development Forum*" in due course.

The World Bank has also indicated that it will have some comments on the TORs but that such comments will not be forthcoming until sometime after 20 September, 1997. It is expected that approval will be granted in time for an advertisement to be placed in *Development Forum* Issue No. 473 which has a publication deadline of 29 September, 1997 and is expected to be published on 31 October, 1997.

**POLICY FOR ENHANCING PRODUCTIVITY
IN THE JAMAICAN ECONOMY¹**

1. The Policy Framework

1.1 Policy must rely on the strength of the motivation and commitment to productivity-improving efforts at the most basic level, i.e. at the level of the firm. It is the active agents (workers, managers, and owners) inside the enterprise who must ultimately accept responsibility for and take charge of those efforts in order to ensure their success.

1.2 The incentives that motivate those efforts emanate largely from within the firm, in the specific organizational structures and systems that are put in place. These incentives are only partly financial. They relate also to conditions in the immediate work-environment, the quality of management and of human relations in the workplace.

1.3 Carefully designed and managed performance-based payment schemes do in fact succeed in inducing employees "to work both harder and smarter". There are various alternative payment-by-results schemes from which to choose. They differ in their suitability for different contexts and in their potential to generate productivity gains. They are also costly to administer.

1.4 Such schemes are most effective in combination with other innovative aspects of a firm's human resource management system, such as flexible job design, employee participation in problem-solving teams, training, and open labour-management communication. If used as a substitute for, rather than a complement to improved management, they may actually deter productivity improvements. They must therefore be considered within the context of a holistic approach to the design and structuring of the organization of the firm from top to bottom. The responsibility for undertaking this process falls within the purview of owners and managers, with the active participation of employees.

1.5 Worker motivation is an important factor in productivity improvement. Managerial motivation also counts. Inertia in planning, decision-making and action on the part of top management and owners may retard or block implementation of productivity-enhancing measures.

¹ This Memorandum is based on research and analysis carried out by the Technical Secretariat and presented in detail in the paper, "Approaches to the Problem of Productivity in the Jamaican Economy: Analysis and Policy", by D.J. Harris and U. Schumacher (Working Paper No. 1, Technical Secretariat, Development Council, September 1997).

Rather than reflect personal perversity, cultural norms, or "class" attitudes, such inertia may be a conditioned response to objective factors operating in the business environment, i.e. lack of competitive pressure and conditions affecting the degree of risk and uncertainty (macroeconomic instability, political instability, crime and violence).

1.6 Even with the proper motivation and a supportive environment, management may lack the capability to make decisions and implement productivity-enhancing measures, owing to lack of information and the cost of acquiring it, or simply lack of proper training and appropriate skills on the part of both workers and managers. This is especially likely to be so for small and medium-sized firms.

2. General Guidelines

2.1 Given the complex of underlying circumstances and causes governing behaviour of the relevant actors in the firm, public policy addressed to the productivity problem must be sharply focused on dealing with the specific factors that can be reasonably expected to have a significant impact. There must also be an understanding of the feasible scope for policy intervention.

2.2 There is little scope for policy to directly affect the goals that owners, managers and workers set for themselves and the cultural norms and attitudes they bring to the workplace. Public awareness campaigns ("moral suasion") are one available means for attempting this, but are questionable in terms of their cost effectiveness. Well structured curricula in the educational institutions at all levels and targeted training programmes may be more effective in the long run.

2.3 Incentives and disincentives have an identifiable and significant motivational effect. Public policy must therefore concentrate on supporting and reinforcing the incentives that stimulate effort and removing the disincentives that discourage effort and produce inertia. The incentives/disincentives that matter are both localised within the firm and associated with macro-environmental factors.

2.4 The capabilities for undertaking productivity improvement at the level of the firm, at the industry level, and in the "innovation system" as a whole play an essential role. Public policy must focus on creating the conditions that enhance those capabilities.

2.5 It is necessary to emphasize the need for an integrated approach in policy design and implementation. No single policy component/intervention taken by itself can be regarded as sufficient to improve performance. The intended effect may be diluted or defeated if other components are not in place.

2.6 There is a definite time dimension involved in making adjustments for productivity improvement. Some adjustments can be made in a short time frame, without substantial investment in new productive capacity and physical infrastructure, and have a potential for getting early results. These are the adjustments directed at increasing X-efficiency by reducing slack and eliminating waste. Accordingly, this is the proper focus of short-term policy.

2.7 Other adjustments require large amounts of finance and other resources to get going and take a longer time for implementation and to get results. Investment in plant and equipment and in physical infrastructure is typically of this character, as also are programmes for expanding education and technical skills through schooling at early and intermediate levels. These fall within the orbit of long-term policy.

2.8 Policy has to be designed so as to provide for the appropriate sequencing of adjustments, taking into account the expected time required for implementation and for achieving results. At any given time, the optimal overall policy will have a mixture of short-term and long-term features and should identify clearly the priorities among them.

3. Specific Policies

3.1 Operating within these broad guidelines, it is possible to structure policy according to a more specific identification of the factors which influence performance and the relevant policy interventions which may be used to address them. A scheme for aiding the design of policy in this way is presented in the accompanying Policy Matrix.

Submitted to Development Council
by Donald J. Harris
September 10, 1997

POLICY FOR ENHANCING PRODUCTIVITY
Policy Matrix

Classification Level	Factors Influencing Performance	Policy Interventions
	A. Incentives/Disincentives	
Micro/Internal	1. Performance-based payment schemes	Fiscal incentives for effective schemes; public awards
	2. Work process & organization	Productivity centres; resource centres; best-practice study tours by managers & workers
	3. Human relations	Labour legislation; sensitizing firms and unions; industrial relations tribunal
Macro/Environmental	4. Competitive pressures	Competition policy; company laws; trade liberalization; market reforms
	5. Factor mobility	Labour market reforms; transportation policy; child care facilities
	6. Quality of physical infrastructure	Energy, roads, transportation, water
	7. Quality of public sector services	Public sector reform
	8. Macroeconomic stability	Macroeconomic policy (inflation, wages, exchange rates, interest rates)
	9. Social stability	Poverty reduction; regional location of employment; security systems; justice system
<i>.../continued</i>		

POLICY FOR ENHANCING PRODUCTIVITY
Policy Matrix (continued)

Classification Level	Factors Influencing Performance	Policy Interventions
Production/Innovation System	B. System Capabilities	
	1. Technology:	
	(a) Technical information (knowledge & applications)	Information services; technical support services; productivity centres; resource centres
	(b) Hardware (plant & equipment, land)	Finance, cost & access; matching grants for retooling; capital depreciation allowances; tax policy
	(c) R&D infrastructure	Science & technology policy; fiscal incentives
	2. Human resources/skills	Education and training
	3. Energy	Energy policy
	4. Telecommunications & informatics	Telecommunications & informatics policy
	5. Input sourcing	Subcontracting & supplier networks; elimination of tariffs on inputs; trade policy
	6. Networks	Industrial parks; industry consortia; networking by public sector agencies
Culture and Society	C. Goals, Values, Attitudes	Public awareness campaigns; educational curriculum design; targeted training programmes

PROPOSAL FOR THE FINANCING OF CLARENDON ALUMINA PRODUCTION LIMITED'S CONTRIBUTION TO JAMALCO'S DEVELOPMENT PROGRAMME

Introduction

The Development Council is being asked to consider financing for Clarendon Alumina Production's (CAP) share in the development programme at JAMALCO.

Clarendon Alumina Production Limited (CAP) is a company which was established in 1985 to participate in the Joint Venture with ALCOA to form JAMALCO. JAMALCO has undertaken an expansion programme and currently requires financing for major capital projects.

The Development Programme

The major projects that have been embarked on are the following -

- the completion of a residue mud disposal system - US\$20 million has been committed for this year;
- the completion of the expansion of the plant to 1,025,000 tonnes per annum and the final incremental capacity to 1,260,000 tonnes. This would be done at an additional cost of US\$105M;
- continuation of the programme to increase the boiler capacity and power generation and sell surplus power to the JPSCo grid.
- establishment of a new mining area in Manchester if there is a breakdown in current negotiations with Alcan and Alpart on a joint mining operation; or make a significant payment to Alpart and Alcan in lieu of solo expansion, as well as a 19Km railway track from the mines to the plant in Clarendon;

- improve pollution control and proceed with normal sustaining capital and the development programme on a red mud dry-tracking system.

Financing

CAP is seeking support of US\$90.6M. It is proposed that this US\$90.6M be in the form of:

- levy of US\$25.6M owed by CAP to be converted to equity.
- loan funds of US\$65.0M

Equity

US\$11.1 million which is owed to December 1996 to be converted to equity. This would allow CAP to adjust its balance sheet and would not require the transfer of funds from the CDF.

An estimated US\$14.5M which will be due for levy in 1997 and 1998 and will also be converted to equity.

Loan

It is proposed that the loan of US\$65M be disbursed over a five-year period in twelve (12) tranches as indicated in Table 1.

It is proposed that the loan will be repaid over fifteen (15) years at 7.5% interest rate with a moratorium of three years on interest which should be capitalised during the period of moratorium and five years on principal.

The table below shows the total financing requirement and CAP's required input:

	Total (US\$M)	CAP's Input(US\$M)
Plant Expansion	105	52.5
South Manchester Mining	43	21.5
Power System Upgrade	20	10.0
Residual Disposal Lake #4	25	12.5
	-----	-----
	193	96.5

As indicated in **Appendix 1**, over the next ten years, CAP is expected to meet its obligations while making a net payment of US\$132.3M to Government, while a net cash flow of US\$40.7M would be generated.

Various scenarios have been used to demonstrate that using prices varying from a low of US\$200 to a high of US\$245 per tonne, and costs of a low of US\$110 per tonne to US\$130 per tonne. The company will be able to meet its obligations, except pay Government revenues in 1997 and 1998. Using the most pessimistic assumptions, net payment to Government over a ten year period would amount to US\$104.5M. Using a 'best case' scenario, net payment to Government would be US\$210.8M with net cash flow of US\$262.7M.

The Development Council is therefore being asked to approve the financing of CAP's contribution to JAMALCO's development programme.

The Council should note, however, that at March 31, 1997 the company had outstanding taxation obligations amounting to US\$6.739M.

Omar Davies, MP
Minister of Finance & Planning

September 5, 1997

TABLE I

FY 1997/1998	August 1, 1997	-	US\$4 million	
	October 15, 1997	-	US\$4 million	
	December 15, 1997	-	US\$6 million	
	March 15, 1998	-	US\$5 million	US\$19m
FY 1998/1999	June 15, 1998	-	US\$6 million	
	September 15, 1998	-	US\$7 million	
	December 15, 1998	-	US\$8 million	
	March 15, 1999	-	US\$5 million	US\$26m
FY1999/2000	September 15, 1999	-	US\$4 million	
	March 15, 2000	-	US\$4 million	US\$ 8m
FY2000/2001	September 15, 2000	-	US\$4 million	
	March 15, 2001	-	US\$4 million	US\$ 8m
FY2001/2002	September 15, 2001	-	US\$4 million	<u>US\$ 4m</u>
Total				<u>US\$65m</u>

APPENDIX I

BASE CASE

**CLARENDON ALUMINA PRODUCTION
CASH FLOW PROJECTION
10 YEARS TO DECEMBER 2006**

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	424,002	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,519,690
Average price per tonne	184	188	200	200	200	200	200	200	200	200	
Avg. production cost/tonne	139	141	132	128	128	106	106	106	106	106	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
INFLOWS:											
Sales revenue	78,105	88,489	100,000	100,000	100,000	125,000	125,000	125,000	125,000	125,000	1,091,595
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											
C.D.F.	14,000	26,000	9,000	8,000	8,000						65,000
TO BE SOURCED			10,000	25,000							35,000
Net Interest Earned	350	526	442	447	624	1,062	1,597	2,374	3,403	4,344	15,169
	<u>110,596</u>	<u>122,547</u>	<u>119,442</u>	<u>133,447</u>	<u>108,624</u>	<u>126,062</u>	<u>126,597</u>	<u>127,374</u>	<u>128,403</u>	<u>129,344</u>	<u>1,232,436</u>
OUTFLOWS:											
Jamalco Production Cos	58,966	66,367	65,974	63,974	63,974	66,213	66,213	66,213	66,213	66,213	650,320
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,707	6,709	6,709	6,697							26,822
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	5,308	5,308	5,308	5,308	5,308	26,539
Commission	744	442	500	500	500	625	625	625	625	625	5,811
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				2,774	2,700	8,942	8,968	9,223	9,501	9,736	51,845
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	<u>113,536</u>	<u>122,170</u>	<u>120,488</u>	<u>132,292</u>	<u>106,252</u>	<u>119,670</u>	<u>122,291</u>	<u>116,148</u>	<u>119,036</u>	<u>119,892</u>	<u>1,191,775</u>
Net Inflows/(Outflows)	(2,940)	376	(1,046)	1,155	2,372	6,392	4,306	11,226	9,367	9,452	40,661
Opening Balance	7,506	4,566	4,943	3,897	5,053	7,424	13,816	18,122	29,348	38,715	7,506
Closing Balance	<u>4,566</u>	<u>4,943</u>	<u>3,897</u>	<u>5,053</u>	<u>7,424</u>	<u>13,816</u>	<u>18,122</u>	<u>29,348</u>	<u>38,715</u>	<u>48,167</u>	<u>48,167</u>

SCENARIO 1

CLARENDON ALUMINA PRODUCTION
CASH FLOW PROJECTION
10 YEARS TO DECEMBER 2006

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	424,002	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,519,690
Average price per tonne	184	188	232	243	245	245	245	245	245	245	
Avg. production cost/tonne	139	141	110	110	110	110	110	110	110	110	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INFLOWS:											
Sales revenue	77,691	88,489	116,000	121,500	122,500	153,125	153,125	153,125	153,125	153,125	1,291,805
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											
C.D.F.	14,000	26,000	9,000	8,000	8,000						65,000
TO BE SOURCED			10,000	25,000							35,000
Net Interest Earned	307	458	1,835	4,400	7,070	10,113	13,244	16,794	20,790	24,905	99,917
	110,139	122,478	136,835	158,900	137,570	163,238	166,369	169,919	173,915	178,030	1,517,394
OUTFLOWS:											
Jamalco Production Cost	58,695	66,367	55,000	55,000	55,000	68,750	68,750	68,750	68,750	68,750	633,812
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,707	6,709	6,709	6,697							26,822
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	5,308	5,308	5,308	5,308	5,308	26,539
Commission	697	442	580	608	613	766	766	766	766	766	6,768
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				14,204	13,517	18,333	19,253	20,424	21,675	22,943	130,349
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	113,219	122,170	109,594	134,856	108,208	131,738	135,253	130,026	133,887	135,776	1,254,728
Net Inflows/(Outflows)	(3,080)	308	27,241	24,044	29,363	31,500	31,116	39,893	40,028	42,253	262,666
Opening Balance	7,506	4,426	4,734	31,976	56,020	85,382	116,882	147,998	187,891	227,919	7,506
Closing Balance	4,426	4,734	31,976	56,020	85,382	116,882	147,998	187,891	227,919	270,172	270,172

SCENARIO 2

CLARENDON ALUMINA PRODUCTION CASH FLOW PROJECTION 10 YEARS TO DECEMBER 2006

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	424,002	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,519,690
Average price per tonne	183	188	220	220	220	220	220	220	220	220	
Avg. production cost/tonne	138	141	132	128	128	106	106	106	106	106	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
INFLOWS:											
Sales revenue	77,691	88,489	110,000	110,000	110,000	137,500	137,500	137,500	137,500	137,500	1,183,680
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											
C.D.F.	14,000	26,000	9,000	8,000	8,000						65,000
TO BE SOURCED			10,000	25,000							35,000
Net Interest Earned	307	458	944	1,815	2,758	4,205	5,953	8,027	10,446	12,874	47,787
	<u>110,139</u>	<u>122,478</u>	<u>129,944</u>	<u>144,815</u>	<u>120,758</u>	<u>141,705</u>	<u>143,453</u>	<u>145,527</u>	<u>147,946</u>	<u>150,374</u>	<u>1,357,139</u>
OUTFLOWS:											
Jamalco Production Cost	58,695	66,367	65,974	63,974	63,974	66,213	66,213	66,213	66,213	66,213	650,049
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. APYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,707	6,709	6,709	6,697							26,822
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	5,308	5,308	5,308	5,308	5,308	26,539
Commission	697	442	550	550	550	688	688	688	688	688	6,227
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				7,226	6,318	12,809	13,223	13,897	14,617	15,319	83,409
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	<u>113,219</u>	<u>122,170</u>	<u>120,538</u>	<u>136,794</u>	<u>109,920</u>	<u>123,599</u>	<u>126,608</u>	<u>120,884</u>	<u>124,214</u>	<u>125,537</u>	<u>1,223,484</u>
Net Inflows/(Outflows)	(3,080)	308	9,406	8,021	10,838	18,106	16,844	24,643	23,732	24,837	133,655
Opening Balance	7,506	4,426	4,734	14,140	22,161	32,999	51,105	67,950	92,592	116,324	7,506
Closing Balance	<u>4,426</u>	<u>4,734</u>	<u>14,140</u>	<u>22,161</u>	<u>32,999</u>	<u>51,105</u>	<u>67,950</u>	<u>92,592</u>	<u>116,324</u>	<u>141,161</u>	<u>141,161</u>

SCENARIO 3

CLARENDON ALUMINA PRODUCTION CASH FLOW PROJECTION 10 YEARS TO DECEMBER 2006

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	421,634	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,517,322
Average price per tonne	184	188	200	200	200	200	200	200	200	200	
Avg. production cost	139	141	110	110	110	110	110	110	110	110	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
INFLOWS:											
Sales revenue	77,691	88,489	100,000	100,000	100,000	125,000	125,000	125,000	125,000	125,000	1,091,180
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											65,000
C.D.F.	14,000	26,000	9,000	8,000	8,000						35,000
TO BE SOURCED			10,000	25,000							
Net Interest Earned	307	458	998	2,112	3,355	4,337	4,889	5,686	6,738	7,703	36,582
	<u>110,139</u>	<u>122,478</u>	<u>119,998</u>	<u>135,112</u>	<u>111,355</u>	<u>129,337</u>	<u>129,889</u>	<u>130,686</u>	<u>131,738</u>	<u>132,703</u>	<u>1,253,434</u>
OUTFLOWS:											
Jamaico Production Cost	58,695	66,367	55,000	55,000	55,000	68,750	68,750	68,750	68,750	68,750	633,812
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,706	6,709	6,709	6,697							26,821
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	5,971	5,971	5,971	5,971	5,971	29,856
Commission	697	442	500	500	500	625	625	625	625	625	5,765
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				2,774	3,700	8,851	8,873	9,125	9,400	9,632	52,355
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	<u>113,218</u>	<u>122,170</u>	<u>109,514</u>	<u>123,318</u>	<u>98,278</u>	<u>122,779</u>	<u>125,396</u>	<u>119,250</u>	<u>122,135</u>	<u>122,988</u>	<u>1,179,048</u>
Net Inflows/(Outflows)	(3,079)	308	10,484	11,794	13,077	6,558	4,493	11,435	9,602	9,715	74,387
Opening Balance	7,506	4,427	4,735	15,219	27,012	40,090	46,647	51,140	62,576	72,178	7,506
Closing Balance	<u>4,427</u>	<u>4,735</u>	<u>15,219</u>	<u>27,012</u>	<u>40,090</u>	<u>46,647</u>	<u>51,140</u>	<u>62,576</u>	<u>72,178</u>	<u>81,893</u>	<u>81,893</u>

SCENARIO 4

CLARENDON ALUMINA PRODUCTION
CASH FLOW PROJECTION
10 YEARS TO DECEMBER 2006

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	424,002	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,519,690
Average price per tonne	183	188	200	200	200	200	200	200	200	200	
Avg. production cost/tonne	139	141	130	130	130	130	130	130	130	130	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INFLOWS:											
Sales revenue	77,691	88,489	100,000	100,000	100,000	125,000	125,000	125,000	125,000	125,000	1,091,180
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											
C.D.F.	14,000	26,000	9,000	8,000	8,000						65,000
TO BE SOURCED			10,000	25,000	15,000						50,000
Net Interest Earned	307	458	471	435	1,248	1,911	1,386	1,004	776	350	8,345
	110,139	122,478	119,471	133,435	124,248	126,911	126,386	126,004	125,776	125,350	1,240,198
OUTFLOWS:											
Jamalco Production Cost	58,695	66,367	65,000	65,000	65,000	81,250	81,250	81,250	81,250	81,250	726,312
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,707	6,709	6,709	6,697							26,822
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	6,635	6,635	6,635	6,635	6,635	33,174
Commission	697	442	500	500	500	625	625	625	625	625	5,765
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				3,577	2,711	3,530	3,496	3,549	3,611	3,616	24,090
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	113,219	122,170	119,514	134,121	107,289	130,622	133,183	126,838	129,510	130,136	1,246,601
Net Inflows/(Outflows)	(3,080)	308	(43)	(686)	16,959	(3,711)	(6,797)	(834)	(3,734)	(4,786)	(6,404)
Opening Balance	7,506	4,426	4,734	4,691	4,005	20,965	17,254	10,457	9,623	5,889	7,506
Closing Balance	4,426	4,734	4,691	4,005	20,965	17,254	10,457	9,623	5,889	1,102	1,102

SCENARIO 5

CLARENDON ALUMINA PRODUCTION CASH FLOW PROJECTION 10 YEARS TO DECEMBER 2006

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	424,002	470,688	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,519,690
Average price per tonne	184 ✓	188 ✓	200 ✓	200	200	200	200	200	200	200	
Avg. production cost/tonne	139 ✓	141	110	110	110	110	110	110	110	110	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INFLOWS:											
Sales revenue	77,691	88,489	100,000	100,000	100,000	125,000	125,000	125,000	125,000	125,000	1,091,180
Equity from Levy	18,141	7,531									25,672
Funding											0
BATCO											
C.D.F.	14,000	26,000	9,000 ✓	8,000 ✓	8,000						65,000
TO BE SOURCED			10,000 ✓	25,000 ✓							35,000
Net Interest Earned	307	458	998	1,891	2,766	3,692	4,440	5,454	6,748	7,984	34,738
	110,139	122,478	119,998	134,891	110,766	128,692	129,440	130,454	131,748	132,984	1,251,590
OUTFLOWS:											
Jamalco Production Cost	58,695	66,367	55,000	55,000	55,000	68,750	68,750	68,750	68,750	68,750	633,812
Capital Projects	21,293	35,019	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	222,271
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	3,723	1,710	1,881								7,314
Glencore	6,707	6,709	6,709	6,697							26,822
CDF	0	0	0	4,015	4,666	9,594	9,594	9,594	9,594	9,594	56,651
OTHER	0	0	0	0	0	5,308	5,308	5,308	5,308	5,308	26,539
Commission	697	442	500	500	500	625	625	625	625	625	5,765
Bauxite Levy	18,141	7,531	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	99,672
Royalty	299	565	600	600	600	750	750	750	750	750	6,414
Income Tax				6,961	6,074	7,017	7,031	7,269	7,523	7,728	49,603
Other	2,418	2,622	2,440	2,563	2,605	2,743	2,890	3,044	3,206	3,377	27,908
	113,219	122,170	109,514	127,505	100,652	120,282	122,891	116,731	119,595	120,421	1,172,979
Net Inflows/(Outflows)	(3,080)	308	10,484	7,386	10,114	8,411	6,550	13,723	12,153	12,563	78,611
Opening Balance	7,506	4,426	4,734	15,218	22,604	32,718	41,128	47,678	61,401	73,554	7,506
Closing Balance	4,426	4,734	15,218	22,604	32,718	41,128	47,678	61,401	73,554	86,117	86,117

CLARENDON ALUMINA PRODUCTION LIMITED PROPOSAL FOR FINANCING SUPPORT FROM THE CAPITAL DEVELOPMENT FUND

Clarendon Alumina Production Limited (CAP) executes a 50:50 alumina joint venture, called JAMALCO, with Alcoa LLC (60% Alcoa of America and 40% Western Mining Corporation of Australia) in the parish of Clarendon. The alumina plant has a current annual production capacity of 825,000 tonnes per annum reflecting an expansion, since 1984, of a capacity of about 345,000 tonnes per annum.

CAP is seeking a total financial support of US\$52.6 million.

This sum of US\$52.6 million comprises US\$25.6 million of levy owed by the company to be converted into equity and a loan of US\$25 million to be disbursed in instalments over three years, as explained below. The request for conversion of levy into equity is being considered by the Ministry of Finance and involves

- (a) conversion of US\$11.1 million owed to December 1996; and
- (b) conversion of US\$14.5 million estimated to be due for 1997 and 1998.

The loan will be used to partially finance certain key capital projects:

	<u>Amount</u>	<u>CAP's Portion</u>
- Plant expansion from to 1 million tonnes	46 million	23.0 million
- South Manchester Mining	43 million	21.5 million
- Power System Upgrade	20 million	10.0 million
- Establish Residue Lake #4	25 million	12.5 million

		US\$ 67.0 million
		=====

Some US\$20 million, CAP's share being US\$10 million, has already been spent with respect to the expansion to 1 million tonnes.

In regard to the loan component, five tranches are envisaged as indicated below:

November 1, 1997	-	8 million
December 15, 1997	-	2 million
March 15, 1998	-	5 million
June 15, 1998	-	5 million
March 15, 1999	-	5 million

The company will be seeking alternative financing with respect to a further expansion from 1 million to 1.26 million tonnes per annum.

This financing need has arisen because of the peculiar circumstances in which the company, which was created in 1985 as government's strategic response to adverse developments which threatened the industry has had to operate. At the time the local industry, very much affected by the recession affecting world aluminium industry, could ill afford the permanent closure of Alcoa which would follow that of Reynolds in 1984 only to be followed further by that of Alpart in September 1985 and an aggressive move by Alcan to have the levy reduced. In that gloomy situation the implications for the local economy, specifically in the key areas of employment, foreign exchange and public revenue, could hardly have escaped the government.

In 1988 Alcoa, in the wake of favourable oil and alumina prices, and conscious that CAP operated the plant at record output levels and at near full capacity in 1986 and 1987, returned to the plant as a 50/50 partner with the Government of Jamaica.

Certain aspects of CAP's experience must be recalled in order to place the company's extraordinary operating history in perspective.

Firstly, the company was formed and has operated without any direct cash input from the government, though, to be fair, over the years US\$31 million of levy owed has been converted to equity. It is in this context and against the background of a less than favourable contract that the company has had to borrow some US\$29 million from the World Bank and \$27 million from Marc Rich. To the end of 1996 loan repayment on all loans totalled \$45 million in principal and interest.

Secondly, CAP entered the business at the worst possible time, so, in order to keep the plant going at full production and to facilitate the country's need for foreign exchange, the company had little choice but to enter a 10-year contract with Marc Rich, the only willing buyer at the time. This had to be done on a basis reflecting the poor market conditions at the time. Specifically, this meant indexing the price at 10% of that of the London Metal Exchange. Assuming that 12% would have been attainable at most of other times, the coincidence of timing would have cost the company about US\$32 per average tonne of alumina produced over the years and some US\$115 million overall. This amount, had it been realized, would have been sufficient to avoid external financing beyond 'startup' capital including funding of the expansion.

Thirdly, between 1988 and 1996 the company spent some US\$123 million on capital (out of a total of US\$143 million spent since 1985). This includes US\$10 million being CAP's share of the cost, so far, of increasing plant capacity from 750,000 tonnes to 1 million tonnes per annum. In return, the Government of Jamaica now owns 425,000 tonnes of annual capacity, including more than 150,000 resulting from CAP's input.

Finally, the objective of operating the plant at near capacity has been substantially achieved. In this pursuit CAP's cumulative contribution to the Jamaican economy stood at some US\$397 million at the end of 1996. Meanwhile, the company has to date made net levy payments totalling US\$82 million.

In conclusion, the project proposal is recommended on the basis that it represents a sound investment with management that is among the best in the industry.

As may be seen from the attached cash flow projections, it is expected that the company will, over the next ten years, meet its obligation while making a net payment of US\$130 million to government.

**CLARENDON ALUMINA PRODUCTION
CASH FLOW PROJECTION
10 YEARS TO DECEMBER 2006**

	YE 1997	YE 1998	YE 1999	YE 2000	YE 2001	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	Total
Alumina Sold in tonnes	382,003	438,000	500,000	500,000	500,000	625,000	625,000	625,000	625,000	625,000	5,445,003
Average price per tonne	186	188	200	200	200	200	200	200	200	200	
Avg. production cost/tonne	150	141	132	128	128	106	106	106	106	106	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
INFLOWS:											
Sales revenue	71,243	82,344	100,000	100,000	100,000	125,000	125,000	125,000	125,000	125,000	1,078,587
Equity from Levy	17,510	8,131									25,641
Funding											
TO BE SOURCED		20,000	15,000	30,000							65,000
C.D.F.	10,000	10,000	5,000								25,000
BATCO	4,200										4,200
Net Interest Earned	249	308	358	524	389	917	2,066	3,159	4,481	5,710	18,161
	103,202	120,783	120,358	130,523	100,388	125,917	127,066	128,159	129,481	130,710	1,216,589
OUTFLOWS:											
Jamalco Production Cost	57,172	61,758	65,974	63,974	63,974	66,213	66,213	66,213	66,213	66,213	643,917
Capital Projects	17,475	28,140	33,231	42,068	22,160	14,500	17,000	10,500	13,000	13,500	211,574
Loan Repayment											
IBRD	1,245	1,205	1,153	1,101	1,047	995	943	891	839	789	10,208
MISC. PAYMENTS											0
BATCO	4,867	6,829									11,696
Glencore	6,709	6,709	6,709	6,709							26,836
CDF	0	0	1,336	2,914	3,642	3,642	3,642	3,642	3,642	3,642	26,103
OTHER		0	0	0	2,654	6,084	8,075	8,625	8,625	8,625	42,689
Commission	685	412	500	500	500	625	625	625	625	625	5,722
Bauxite Levy	17,510	7,008	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	98,518
Royalty	332	526	600	600	600	750	750	750	750	750	6,408
Income Tax		6,738	0	0	0	4,990	9,328	9,577	9,627	9,925	50,186
Other	1,524	1,676	1,636	2,563	2,605	2,743	2,890	3,044	3,971	4,181	26,833
	107,520	121,000	119,139	128,429	105,182	110,542	119,466	113,867	117,293	118,251	1,160,689
Net Inflows/(Outflows)	(4,318)	(217)	1,219	2,095	(4,794)	15,375	7,599	14,292	12,188	12,460	55,899
Opening Balance	7,506	3,188	2,971	4,190	6,285	1,491	16,866	24,465	38,756	50,945	7,506
Closing Balance	3,188	2,971	4,190	6,285	1,491	16,866	24,465	38,756	50,945	63,405	63,405

**CLARENDON ALUMINA PRODUCTION
CASH FLOW PROJECTION
QUARTERLY PROJECTION FOR THE PERIOD SEPTEMBER 1997 - DECEMBER 1998**

	QRT.01 Sept. 97	QRT.2 Dec. 97	QRT.3 Mar. 98	QRT.4 Jun. 98	QRT.5 Sept. 98	QRT.10 Dec. 98	Total
Alumina Sold in tonnes	65,437	108,000	109,500	109,500	109,500	109,500	611,437
Average price per tonne	194	190	188	188	188	188	
Avg. production cost/tonne	215	139	138	139	141	146	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
INFLOWS:							
Sales revenue	12,695	20,520	20,586	20,586	20,586	20,586	115,559
Equity from Levy	0	17,510			8,131		25,641
Funding							
TO BE SOURCED			5,000	5,000	5,000	5,000	20,000
C.D.F.	0	10,000	5,000	5,000			20,000
BATCO	4,200						4,200
Net Interest Earned	19	36	77	77	77	77	363
	16,914	48,066	30,663	30,663	33,794	25,663	185,763
OUTFLOWS:							
Jamalco Production Cost	14,065	14,970	15,058	15,247	15,482	15,971	90,793
Capital Projects	4,265	2,625	8,148	7,430	6,860	5,702	35,030
Loan Repayment							
IBRD	622		603		602		1,827
MISC. PAYMENTS							0
BATCO	1,500	3,367	3,373	3,456			11,696
Glencore	1,677	1,681	1,677	1,677	1,677	1,678	10,067
CDF	0	0					0
OTHER		0					0
Commission	0	685	103	103	103	103	1,097
Bauxite Levy	0	17,510	1,752	1,752	1,752	1,752	24,518
Royalty	99	79	131	131	131	131	703
Income Tax	0	0	0	2,000	4,738		6,738
Other	289	315	419	419	419	419	2,280
	22,517	41,232	31,264	32,215	31,764	25,756	184,749
Net Inflows/(Outflows)	(5,603)	6,834	(601)	(1,552)	2,030	(93)	1,014
Opening Balance	1,957	(3,646)	3,188	2,587	1,034	3,064	1,957
Closing Balance	(3,646)	3,188	2,587	1,034	3,064	2,971	2,971

**NATIONAL INVESTMENT BANK OF JAMAICA'S
PROGRAMME OF FINANCIAL ASSISTANCE
TO THE PRODUCTIVE SECTORS**

Introduction

NIBJ's Investment Policy was implemented in March 1995 and is aimed at positioning NIBJ as a strategic, innovative, catalytic and profitable investor whose mission is to foster economic growth and sustainable development of the Jamaican economy.

The Investment Policy identifies a number of investment banking activities which NIBJ will undertake. These activities have been specifically identified as it is thought that NIBJ is strategically poised to effectively play these roles. These activities include:

- Venture capital financing
- Equity financing
- Underwriting securities
- Initial public offerings (IPO's)
- Asset-backed financing
- ESOP financing
- Loan syndication
- Bond issues
- Portfolio management
- Research and financial advisory services

Total funding targeted to assist in financing the investment programmes of the three government development finance institutions (NIBJ, NDB and ACB) for fiscal year 1996/97 was J\$3.5 billion, made up of both J\$ and US\$ funds (at an exchange rate of J\$40 to US\$1). However, only J\$1.7 billion was actually made available, as shown below:

	JS\$1 Billion Bond (J\$ millions)	US\$50 Million Bond (J\$ millions)	Capital Development Fund (J\$ millions)	Total (J\$ millions)
Amount targeted	1 000.0	1 750.0	500.0	3 250.0*
Amount available	330.5**	875.0 ***	500.0	1 705.5
Amount received	430.5	735.0****	500.0	1 665.5

* In 1996 an exchange rate of J\$40 to US\$1 was used which converted the US\$50 million to J\$2.0 billion, however the current exchange rate used is J\$35 to US\$1. This accounts for the difference in the total targeted amount of \$3.5 billion as compared to \$3.25 billion shown in the table above.

** J\$100 million prepayment was effected with one of the bondholders on a decision taken by the Board of Directors due to the high cost of this bond.

*** BNS Short Term facility of US\$25M was established as the US\$50M Bond Issue did not materialise

**** US\$21M of the BNS US\$25M facility drawn down to date

The major portion of the \$3.5 billion originally targeted was earmarked for NIBJ to commence its new investment thrust. Of this, \$2.5 billion was earmarked for investment in new projects (of which \$200 million was to be onlent to NDB) and \$1 billion for the Debt Restructuring Programme (of which \$100 million was specifically earmarked for the Small Hotel Subsector) as shown below:

	New Projects (J\$ millions)	Debt Restructuring (J\$ millions)	Total (J\$ millions)
JS\$1 Billion Bond	500.0 *	500.0	1 000.0
US\$50 Million Bond	2 000.0	-	2 000.0
CDFund	-	500.0	500.0
Total	2 500.0	1 000.0	3 500.0

* \$200 million was earmarked for onlending to NDB

However, based on the funding actually mobilised, this configuration is:

	New Projects (J\$ millions)	Debt Restructuring (J\$ millions)	Total (J\$ millions)
J\$1 Billion Bond	330.5 *		330.5
US\$50 Million Bond	875.0 **	-	875.0
CDFund	-	500.0	500.0
Total	1 205.5	500.0	1 705.5

* \$200 million has been onlent to NDB

** \$175 million (US\$5 million @ J\$35 to US\$1) has been onlent to NDB

Investment in New Projects

Background

This programme is aimed at providing equity/quasi-equity to new projects as well as projects wishing to undertake major expansion or upgrading of facilities which will create incremental value to the project.

Equity assistance is geared towards companies which fall within the seven (7) targeted sectors outlined in NIBJ's Investment Policy and included in the National Industrial Policy, namely agriculture, entertainment, information technology, infrastructure, manufacturing, mining and tourism.

Major criteria used to determine NIBJ's involvement in any project include employment generation, foreign exchange earnings/savings, utilisation of local indigenous raw material, financial viability, as well as projects viewed to be of national importance.

NIBJ's equity involvement is limited to taking a minority position in the company in which it invests and a limit of 20% of the equity is usually observed as a guide, although this has been exceeded in a few specific instances with Board approval.

Review of the performance to date

Of the \$1 205.5 million available to these projects, a total of \$3 090.92 million has been committed of which \$824.0 million has been disbursed to date (including \$375M onlent to NDB). This is broken out into J\$ and US\$ funding sources below and shown in more detail in Attachments 1, 2 and 4:

	JS\$1 Billion Bond (J\$ millions)	US\$50Million Bond (J\$ millions)	Total (J\$ millions)
Committed	324.87	2 766.05	3 090.92
Disbursed	285.70	538.30	824.00

Total employment generated/to be generated from these commitments is 1 773, whilst total projected foreign exchange earnings is an average of US\$65 million per year. Attachments 5 and 6 highlight other salient details of these projects including the current status.

Problems/ Difficulties experienced and envisaged

With the passage of over two years since the implementation of the Programme, it is now both timely and necessary to formally highlight the problems and difficulties which have been experienced and which are envisaged. These are:

- A number of projects to which NIBJ has committed, especially large hotel projects, have been unable to get off the ground due to the inability of the promoters to secure the full financing required. In some instances the financing gaps are quite large - outside of the budgetary constraints of NIBJ and may even put NIBJ in a majority position were any further commitments to be made. In fact, three of these hotel projects have been back to NIBJ for additional financing and have in turn been referred to the Development Council which has approved additional financing to two (2), namely Hedonism Runaway Bay – additional financing of US\$7million bringing NIBJ's total involvement to US\$14 million, and Swept Away Trelawny – additional

financing of US\$9.4 million bringing NIBJ's total involvement to US\$14.4 million. No additional funding above the originally approved US\$6 million has been agreed to for the third hotel, Drax Hall Marriott.

- In many cases, especially for the larger and more capital intensive projects, a longer time frame is needed to accommodate redemption of NIBJ's Preference Shares. NIBJ's Investment Policy speaks to a maximum time frame of seven (7) years and this is determined primarily by NIBJ's funding sources. With the exception of funding received from the CDF (\$500 million) which is treated as equity in NIBJ's books, the other funding sources are for seven years or less. In fact, a long term US\$ funding source has not yet been confirmed and the current short term facility of US\$25M from Bank of Nova Scotia falls due on 31 October 1997.
- It is apparent that projects within the Agricultural sector, in addition to a longer investment term, also require lower dividend rates than those projects in other sectors.
- NIBJ is currently heavily exposed to the Tourism industry by virtue of commitments made to a number of major hotel projects. There is need for diversification away from this industry or even within the industry (tourism attractions/support projects) to protect the Bank from the inherent risks associated with such a heavily skewed portfolio.
- The Companies Bill, 1996 has been drafted and is currently under discussion. There are implications within this proposed legislation for NIBJ's current investment modality by way of equity as the new law contemplates the issue of no par value shares. In such circumstances it will be very costly to companies wishing to raise equity in general and this works against the role being played by NIBJ unless special exemption is made for NIBJ's equity subscriptions.

Debt Restructuring Programme

Background

Implemented in July 1996, the Debt Restructuring Programme is targeted at those companies which have been adversely affected by high interest rate debt and which are involved in productive activities in the agricultural, manufacturing, mining and tourism sectors. These companies should have the potential for a turnaround to financial viability in the short to medium term following the restructuring exercise and should demonstrate the willingness to make concessions in return for assistance received. In addition, the creditor banks should participate in the restructuring exercise by reducing interest rates, writing down, rescheduling or converting the debt as appropriate.

NIBJ's assistance is limited to refinancing up to 50% of the debt to a maximum of J\$20 million in any one company or group of companies. NIBJ also takes adequate security to cover its exposure and reserves the right to appoint Directors to the Board of the client company.

By way of Cabinet Decision no. 27/97, Cabinet approved a Special Assistance Programme to the Apparel Sector (Phase 2) in which NIBJ's involvement is for debt restructuring to these companies. The same terms of the Debt Restructuring Programme will apply for assistance to these companies with the exception of the dividend rate which will be 18%. A total of \$100 million will be made available through this window, of which \$80 million will come from funds initially earmarked for the general Debt Restructuring Programme and a grant of \$32.5 million will be provided by the Government. (\$12.5 million of the grant from Government will be used for bad debt provision/a reserve redemption fund as well as provide a rebate scheme which will allow for the reduction in the dividend rate from 26% currently to 18%).

Review of the performance to date

Of the \$500.0 million available to these projects, a total of \$285.7 million has been committed (including \$35 million for onlending to NDB for the Fellowship Hall Industrial Complex project and \$80 million reserved for the apparel sector) of which \$123.26 has been disbursed to date. Details on the funding status is shown in Attachment 3a and 3b.

Total jobs to be saved from these commitments is 742, and employment to be generated is 5. Attachments 5 and 6 highlight other salient details of these projects including the current status.

Problems/ Difficulties experienced and envisaged

- NIBJ has had requests for assistance from companies in the productive sector which do not fall within the four targeted sectors (agriculture, manufacturing, mining and tourism) but which would otherwise qualify for assistance. In order to address this it is being recommended that the four (4) sectors currently targeted for assistance under the Programme be expanded to include the seven (7) sectors identified in the Investment Policy, namely agriculture, entertainment, information technology, infrastructure, manufacturing, mining and tourism.
- Applications have been received under the Debt Restructuring Programme, from companies which require amounts in excess of the existing \$20 million limit allowable per company/group of companies. These larger companies demonstrate the potential for a turnaround to financial viability if adequate new capital were to be provided to restructure existing debt. Based on these requests, it is recommended that the existing limit of \$20M per company/group of companies be increased to \$50M per company/group of companies.
- A number of firms especially in the tourism and export sectors experience debt restructuring problems mainly with US\$ facilities they have and are in need of restructuring those debts. The problem here is not high interest debt per se, but the

fact that these companies are too highly leveraged, are unable to service that level of debt and require capital injections in the form of equity to address these problems.

- As with new projects, it is apparent that agricultural entities require lower dividend rates than those currently offered by NIBJ if these entities are to be transformed into viable operations.
- Audited financial statements are still not available from many of the companies applying under the Programme. To deal with problem, NIBJ has earmarked a pool of funds to assist companies in financing these audits, however there is still a time lag in completing the exercise as, in some instances, as many as five years work needs to be done.
- Some banks are still reluctant to participate under the Programme. (In some instances bank managers are not willing to sign the application form until the client settles the arrears on the account, thus defeating the Programme). This has been compounded by the recent general decline in interest rates which the Banks feel is sufficient in some situations to enable clients to repay arrears and service existing obligations. Increasingly, NIBJ has to play a very proactive role and be aggressive in negotiating with the banks on behalf of the clients. The general reluctance of the banks to participate, tends to delay the process of getting the restructuring plan agreed, approved and implemented.
- In many instances, companies carry other large outstanding payables including statutory payments and have no means of settling these amounts. It is not prudent for NIBJ to become involved in these companies unless these liabilities are cleared up or unless there is adequate provision to accommodate this, as there could be impending legal action as a result.

- Companies apply to NIBJ as a last resort usually when there is impending legal action by the creditor institutions, at which time NIBJ is unable to assist or become involved.
- In some instances, questions have been raised, and objections made regarding the efficacy of the investment made by NIBJ by way of Preference Shares and the taking of security. Whilst not illegal, this modality of investment has sparked debate on a number of issues surrounding the inequitable position enjoyed by NIBJ as a shareholder entitled to voting rights and other benefits of shareholders, whilst having the added benefit of collateral as any normal creditor. In reviewing the arguments presented, some major implications for consideration involve:

1. The nature of the investment.

In its present form the investment could be characterised more as debt rather than equity due to the fixed dividend payments, the specific period of the investment and the collateralisation of the investment. In addition, the current Income Tax laws restrict the deductibility of dividends paid on Preference Shares to circumstances where the Preference Shares do not exceed one-half of the balance of shares of the company. There is no limit on the deductibility of interest payments by the taxpayer (company) and therefore, the taxpayer (company) is better off paying out interest rather than dividends on Preference Shares.

2. The cost of increasing share capital.

In the event the company has already issued all of its authorised shares, there will be need to increase the share capital. This can prove to be costly as stamp duty and registration fees will be applicable. To compound this, as previously pointed out, under the drafted Companies Bill, 1996 the concept of no par value shares will further increase this cost in cases where companies of worth have to issue shares.

3. The cost of perfecting the security.

In most instances, collateral taken by NIBJ is in the form of a Mortgage over real estate or Bill of Sale over assets. The cost of stamping and registering the Charges can be quite high.

4. The cost of redemption.

Under the present Jamaican Transfer Tax Legislation and Companies Act, a company is unable to purchase its own shares. As such, the redemption of Preference Shares when it occurs will involve the payment of Transfer Tax and Stamp Duty unless there is an insufficiency of capital. This would be a cost to NIBJ as the vendor of those shares.

5. The company's debt to equity ratio.

As is common in Jamaica, many small and medium sized companies are inadequately capitalised, being highly leveraged with very small equity bases. From the point of view of the capital structure of the company, it would therefore seem more appropriate for NIBJ's investment to be in the form of equity rather than debt. However, in the event NIBJ deems it necessary to collateralise its investment, the use of a debt instrument such as a Debenture would be more appropriate, but would tend to further distort the debt to equity ratio. In addition, instances may arise where the beneficiary companies' debt burden may preclude additional borrowing or additional charges on the security pledged without the consent of prior lenders. Needless to say, this concern could be met if NIBJ were to agree to subordinate its own charge to other creditors. In any event, NIBJ, if it remained a Preference Shareholder, ranks below secured creditors in relation to its Preference shareholding.

6. The implication for recovery in the event of insolvency.

In the event of insolvency, NIBJ as a Preference Shareholder would rank after creditors and may be unlikely to be able to recover anything on its Preference Shares. The use of a Debenture would provide NIBJ with a more substantial method of

ensuring the repayment of its capital while at the same time providing the beneficiary company with the benefit of deductibility of the payment of interest.

Opinions and advice have been sought from the legal and accounting profession on the matter, bearing in mind NIBJ's Investment Policy and the Bank's authority to undertake investments as outlined in its Memorandum of Association, and the popular view is that where NIBJ makes an investment by way of Ordinary Shares or Preference Shares this not be collateralised. However, in cases where collateral is viewed as necessary, a Convertible Debenture could be the investment instrument used, which in the event NIBJ wishes to continue and cement a longer term interest in the company, a conversion to Ordinary Shares could be undertaken without any additional tax consequences. The use of this instrument would not prevent NIBJ from obtaining a seat on the Board of the client company.

Underwriting

Background

Historically, companies in Jamaica have tended to finance their businesses by way of debt. This is demonstrated by the fact that many businesses today are highly leveraged, with very small Issued Share Capital bases. This highly leveraged position has been compounded by the prolonged high interest rate regime, which the country is still trying to overcome.

Alternative sources of financing by way of equity, is however difficult to raise in the current economic climate. The performance of the Jamaican stock market remains marginal, with relatively low trading activity despite the significant drop in interest rates since the end of last year. The general lack of interest and aversion to the equities market at this time is also demonstrated by the fact that it has proven difficult to garner underwriting support for these issues, which at a time like this is most essential if the requisite financing is to be raised.

General guidelines outlining NIBJ's involvement in providing underwriting support was approved by its Board in June 1997. It is envisaged that NIBJ's involvement in underwriting select equity issues will facilitate the mobilisation of equity capital which is much needed at this time.

Review of the performance to date

NIBJ has to date participated in one underwriting exercise. This was done as part of a sub-underwriting group in which NIBJ underwrote \$7.5 million of a \$60 million rights issue offered by the Jamaica Livestock Association. At close of the offer, NIBJ was required to take up \$4.4 million based on the undersubscription of that issue.

There is currently one underwriting request in-house being evaluated.

Problems/difficulties experienced and envisaged

None at this time.

Guarantee Facility

Background

General guidelines for the provision of guarantees by NIBJ was approved by its Board in June 1997 and is supported against the background that:

- in some instances banks are not willing to accept the collateral/security which is being offered by the business to support the guarantee
- NIBJ's investments are undertaken primarily to fund capital costs, and in the case of new ventures, an element of the initial working capital required to get the project operational. As a general rule NIBJ does not provide financing strictly for working capital, and so the provision of a guarantee will facilitate the mobilisation of such. In

this case, NIBJ will not incur a direct liability but a contingent liability for which appropriate and adequate security will be in place.

Review of the performance to date

To date, NIBJ's Board has approved the provision of Guarantees in favour of four (4) companies namely, Thermoplastics Limited (J\$ 17.5 million), Highgate Foods Limited (J\$ equivalent of US\$694 000), the ServWel Group of Companies (J\$ equivalent of US\$250 000), and United Apparel Limited (a subsidiary of the Davon Group for J\$15.5 million). So far, only Thermoplastics' Guarantee has been issued, as outstanding requirements still remain before Guarantees for the other three (3) companies can be effected.

In addition to those mentioned above, there are three (3) more companies who have applied for assistance under NIBJ's Guarantee facility.

Support for this facility has been given by EX-IM Bank who has put in place a limit of J\$100M for NIBJ's Guarantees in favour of their clients.

Problems/ Difficulties experienced and envisaged

None at this time.

NIBJ

9 September 1997

NATIONAL INVESTMENT BANK OF JAMAICA
JS\$1.0B Development Bond
Status as at 31 August 1997

Received (1) (J\$ millions)	Commitments	Amount Committed (2) (J\$ millions)	Amount Disbursed (3) (J\$ millions)	Undisbursed Commitment (2) - (3) (J\$ millions)	Resource Requirement (1) - (2) (J\$ millions)
Total Received 430.50	NDB - Loan	\$200.00	\$200.00		
less prepayment (100.00)	Port Royal Tourism Project	\$4.60	\$4.60		
	Fellowship Aquaculture	\$2.80	\$2.80		
	Mt. Pleasant Estates	\$20.00	\$15.95	\$4.05	
	International Magnetic Prod.	\$8.80	\$8.80		
	Western Cement Company	\$11.21	\$11.17		
	Grizzly's Entertainment	\$13.00	\$13.00		
	Canco Limited	\$6.80	\$6.80		
	Jamaica Livestock Assn.	\$4.41	\$4.41		
	Ja. Edible Fats & Oils	\$18.00	\$18.00		
	Clarendon Lime	\$22.40		\$22.40	
	Kokoya Group	\$5.00		\$5.00	
	Coffee Industries	\$4.85		\$4.85	
	NCST-Sidgrain Ja. Ltd.	\$3.00	\$0.17	\$2.84	
\$330.50		\$324.87	\$285.70	39.14	\$5.63

Pipeline: 12 projects totaling \$163.51M

Note: These Commitments were made in anticipation of receipt of inflows arising from understandings reached between ourselves, MOF and BOJ.

NATIONAL INVESTMENT BANK OF JAMAICA

US\$50.0M Bond

Status as at 31 August 1997

Received (1) (US\$ millions)	Commitments	Amount Committed (2) (US\$ millions)	Amount Disbursed (3) (US\$ millions)	Undisbursed Commitment (2) - (3) (US\$ millions)	Resource Requirement (1) - (2) (US\$ millions)
Drawdown from BNS 21.00	NDB	\$5.00	\$5.00		
	Braco Pebbles	\$3.00	\$3.00		
	Mahoe Beach Village	\$0.03	\$0.03		
	Int. Mag. Prod.	\$0.20	\$0.20		
	Port Royal Tourism Project	\$0.40	\$0.40		
	CDC/FMO re Jablum	\$6.00	\$6.00		
	Hedonism Runaway Bay	\$14.00		\$14.00	
	Drax Hall Marriott	\$6.00		\$6.00	
	Seawind - La Meridien	\$10.00		\$10.00	
	Couples Negril	\$4.00	\$0.75	\$3.25	
	Swept Away - Trelawny	\$14.40		\$14.40	
	Ritz-Carlton at Rose Hall	\$6.00		\$6.00	
	Beaches Whitehouse	\$10.00		\$10.00	
Total 21.00		\$79.03	\$15.38	\$63.65	(\$58.03)
J\$ equivalent 735.00		\$2,766.05	\$538.30	\$2,227.75	(\$2,031.05)

Pipeline: 5 projects totaling US\$19.6M (J\$686M)

Seawind Hotel at Sunset Island	\$4.00
Mammee Bay Hotel	\$5.00
Port Royal Development	\$4.60
Sea Splash Plantation	\$3.00
Breezes Bloody Bay	\$3.00

1 An exchange rate of J\$35 to US\$1 is used

2 These Commitments were made in anticipation of receipt of inflows arising from understandings reached between ourselves, MOF and BOJ.

NATIONAL INVESTMENT BANK OF JAMAICA
Debt Restructuring Programme
Status as at 31 August 1997

A General Program

Received	Commitments	Amount Committed	Amount Disbursed	Undisbursed Commitments	Resource Requirement
(1)		(2)	(3)	(2)-(3)	(1)-(2)
(J\$ millions)		(J\$ millions)	(J\$ millions)	(J\$ millions)	(J\$ millions)
From the C.D.F. 400.00	Century Corporation Ltd.	\$20.00	\$20.00		
	B & D Trawling	\$20.00	\$20.00		
	Barrett Furniture Limited	\$10.00	\$10.00		
	Taylor Made Apparel	\$8.00		\$8.00	
	Fort Stewart Farms Limited	\$5.00		\$5.00	
	Wilpak Corporation	\$20.00	\$20.00		
	Faurens Limited	\$6.00	\$4.21	\$1.79	
	Day-O Plantation and Rest.	\$13.50	\$12.15	\$1.35	
	SBAJ Fellowship Hall Dev*	\$35.00		\$35.00	
	Apparel Sector Programme**	\$80.00		\$80.00	
Total 400.00		\$217.50	\$86.36	\$131.14	\$182.50

* Special approval given by Financial Secretary for CDF funds to be used for unending to NDB for this project.

**Reserved for this programme as approved by NIBJ's Board and announced by the Minister of Industry, Investment and Commerce

Pipeline: 16 projects totaling \$215.05M

B Small Hotel Subsector

Received (1) (J\$ millions)	Commitments	Amount Committed (2) (J\$ millions)	Amount Disbursed (3) (J\$ millions)	Undisbursed Commitments (2) - (3) (J\$ millions)	Resource Requirement (1) - (2) (J\$ millions)
From the C.D.F. 100.00	Royal Court Hotel	\$7.00	\$7.00		
	Tigress Cottages	\$4.00	\$4.00		
	Blue Harbour Hotel	\$3.50	\$3.50		
	Club Inferno Hotel	\$20.00	\$16.70	\$3.30	
	La Mirage Hotel	\$8.00		\$8.00	
	Caribic Vacations	\$5.70	\$5.70		
	Little Bay Ltd./Little Pub Hotel	\$20.00		\$20.00	
Total 100.00		\$68.20	\$36.90	\$31.30	\$31.80

Pipeline: 8 projects totaling \$30.82M

TOTAL A + B =

\$214.30

NATIONAL INVESTMENT BANK OF JAMAICA
Cumulative (J\$) Funding Position for
Equity Investment
As at 31 August 1997

Funding Source	Total Commitment	Total Received	Total Disbursed	Total Undisbursed Balance	Resource Requirement
	(1) (J\$ millions)	(2) (J\$ millions)	(3) (J\$ millions)	(2) - (3)	(2) - (1) (J\$ millions)
J\$1.0B bond	\$324.87	\$330.50	\$285.70	\$44.80	\$5.63
US\$50.0M bond	\$2,766.05	\$735.00	\$538.30	\$196.70	(\$2,031.05)
CDF	\$285.70	\$500.00	\$123.26	\$376.74	\$214.30
Total	\$3,376.62	\$1,565.50	\$947.26	\$618.25	(\$1,811.12)

National Investment Bank of Jamaica
Investment Projects
as at 31 August 1997

Attachment 5

	Project Name	Industry/ Sector	Amount Committed	%	Amount Disbursed
1	Fellowship Aquaculture Ltd.	Agriculture	2,800,000.00		2,800,000.00
2	Mount Pleasant Estates	Agriculture	20,000,000.00		15,950,000.00
3	Westban	Agriculture	12,000,000.00		12,000,000.00
4	Coffee Industries Ltd.	Agriculture	4,845,000.00		0.00
5	NCST - Sidgrain Ltd.	Agriculture	3,000,000.00		165,000.00
6	B & D Trawling Limited	Agriculture*	20,000,000.00		20,000,000.00
7	Fort Stewart Farms Limited	Agriculture*	5,000,000.00		0.00
8	Jamaica Livestock Association	Agriculture	4,406,836.50		4,406,836.50
	Subtotal for Agriculture		72,051,836.50	2.52%	55,321,836.50
9	Grizzly's Entertainment Ltd.	Entertainment	13,000,000.00		13,000,000.00
	Subtotal for Entertainment		13,000,000.00	0.46%	13,000,000.00
10	InfoChannel	Information Technology	7,139,123.00		7,139,123.00
	Subtotal for Information Technology		7,139,123.00	0.25%	7,139,123.00
11	Kokoya Group	Manufacturing	5,000,000.00		0.00
12	Fellowship Hall Development Complex	Manufacturing	20,000,000.00		20,000,000.00
13	Canco Ltd.	Manufacturing	6,800,000.00		6,800,000.00
14	Jamaica Edible Oils and Fats Co. Ltd.	Manufacturing	18,000,000.00		18,000,000.00
15	International Magnetic Products	Manufacturing	8,770,000.00		8,770,000.00
16	International Magnetic Products II	Manufacturing	7,000,000.00		7,000,000.00
17	Taylor Made Apparel Ltd.	Manufacturing*	8,000,000.00		0.00
18	Century Corporation Ltd.	Manufacturing*	20,000,000.00		20,000,000.00
19	Barret Furniture Company Limited	Manufacturing*	10,000,000.00		10,000,000.00
20	Wilpak Corporation	Manufacturing*	20,000,000.00		20,000,000.00
	Subtotal for Manufacturing		123,570,000.00	4.33%	110,570,000.00
21	Clarendon Lime Co. Ltd. Phase 2	Mining	22,400,000.00		0.00
22	Clarendon Lime Co. Ltd. Phase 1	Mining	10,550,000.00		10,550,000.00
23	North Coast Bauxite Exploration Project	Mining	30,000,000.00		27,500,000.00
24	Western Cement Company	Mining	11,212,800.00		11,166,236.22
25	Faurens Limited	Mining*	6,000,000.00		4,210,005.00
	Subtotal for Mining		80,162,800.00	2.81%	53,426,241.22
26	La Mirage Hotel	Tourism - Small Hotel*	8,000,000.00		0.00
27	Tigress Cottages	Tourism - Small Hotel*	4,000,000.00		4,000,000.00
28	Blue Harbour Hotel	Tourism - Small Hotel*	3,500,000.00		3,500,000.00
29	Royal Court Hotel & Health Resort	Tourism - Small Hotel*	7,000,000.00		7,000,000.00
30	Club Inferno Resort Hotel & Restaurant	Tourism - Small Hotel*	20,000,000.00		16,693,491.10
31	Carabic Vacations	Tourism - Small Hotel*	5,700,000.00		5,700,000.00
32	Little Bay Ltd./Little Pub	Tourism - Small Hotel*	20,000,000.00		0.00
	Subtotal for Tourism - Small Hotel		68,200,000.00	2.39%	36,893,491.10
33	Braco Pebbles	Tourism	105,000,000.00		105,000,000.00
34	Drax Hall Hotel and Golf Club (Marriott)	Tourism	210,000,000.00		0.00
35	Hedonism Runaway Bay	Tourism	490,000,000.00		0.00
36	Couples, Negril	Tourism	140,000,000.00		26,250,000.00
37	Mahoe Beach Village Resort	Tourism	1,085,000.00		1,085,000.00
38	Seawind Resort	Tourism	350,000,000.00		0.00
39	Braco Village	Tourism	27,600,000.00		27,600,000.00
40	Real Resort (Beaches Negril)	Tourism	72,743,190.00		72,743,190.00
41	Port Royal Development Feasibility Study	Tourism	4,600,000.00		4,600,000.00
42	Port Royal Development Co. Advance	Tourism	14,000,000.00		14,000,000.00
43	Swept Away - Trelawny	Tourism	504,000,000.00		0.00
44	Ritz-Carlton at Rose Hall	Tourism	210,000,000.00		0.00
45	Beaches Whitehouse	Tourism	350,000,000.00		0.00
46	Day-O Plantation and Restaurant	Tourism*	13,500,000.00		12,155,250.00
	Subtotal for Tourism		2,492,528,190.00	87.25%	263,433,440.00
	Grand Total		2,856,651,949.50	100.00%	539,784,131.82

Add other non-project investments:

SBAJ Fellowship Hall Dev. (onlending)	35,000,000.00	0.00
NDB - US\$5M	175,000,000.00	175,000,000.00
CDC/FMO re Jablum	210,000,000.00	210,000,000.00
NDB -J\$ Loan	200,000,000.00	200,000,000.00
Apparel Sector Programme	80,000,000.00	0.00
	700,000,000.00	585,000,000.00

Less projects approved prior to Investment Policy:

Fellowship Hall Development Complex	20,000,000.00	20,000,000.00
Westban	12,000,000.00	12,000,000.00
North Coast Bauxite Exploration Project	30,000,000.00	27,500,000.00
Infochannel	7,139,123.00	7,139,123.00
Clarendon Lime Phase 1	10,550,000.00	10,550,000.00
Real Resort	72,743,190.00	72,743,190.00
Braco Village	<u>27,600,000.00</u>	<u>27,600,000.00</u>
	180,032,313.00	177,532,313.00

BALANCE	3,376,619,636.50	947,251,818.82
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* Projects approved under the Debt Restructuring Programme (DRP)

#Demand notice sent to project sponsor for the repayment of amount disbursed. Commitment to be withdrawn in September.

**NATIONAL INVESTMENT BANK OF JAMAICA
APPROVED PROJECTS**

Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
1 Westban	Agriculture	The project involves revitalizing the banana industry in Western Jamaica thru :- establishment of 1200 hectares of export quality banana, provision of extension service and co-ordination of the sales of export fruits.	\$42 500 000.00	\$12 000 000.00	01-Mar-93	\$12 000 000.00	CDF	Funds fully disbursed. Project at a stand still and unable to achieve its targeted objectives. ACB has agreed to take full responsibility for the operation of the entity.
2 Fort Stewart Farms Ltd.	Agriculture	St. Mary based farm that produces papaya for export seeks to refinance high interest debt.	\$18 000 000.00	\$5 000 000.00	27-Feb-97	\$0.00	CDF	Awaiting the finalization of legal documentation from client's attorneys.
3 B&D Trawling Limited	Agriculture	Refinancing of the debt of a company involved in the catching, processing and exporting of conch and lobster primarily to the US.	\$35 000 000.00	\$20 000 000.00	27-Feb-97	\$20 000 000.00	CDF	Legal documents finalized; funds fully disbursed.
4 Wilpac Limited	Manufacturing	Refinancing of existing high interest debt to retore viability of the plastic packaging company.	\$70 000 000.00	\$20 000 000.00	27-Feb-97	\$20 000 000.00	CDF	Conditions satisfied, funds fully disbursed.
5 Fellowship Hall Development Complex	Manufacturing	The construction of factory and commercial space and housing complex on a phased basis at Fellowship Hall, St. Catherine.	\$96 100 000.00	\$20 000 000.00	23-Jul-95	\$20 000 000.00	CDF	Project has encountered minor setbacks and Phases I and II are now scheduled to be completed by September 1997.
6 Taylor Made Apparel Ltd.	Manufacturing	Refinancing of high interest debt of a contract apparel manufacturing plant in Montego Bay.	\$29 000 000.00	\$8 000 000.00	07-Jan-97	\$0.00	CDF	Conditions not yet satisfied. NIBJ has indicated the possibility of de-obligating funds.

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
7	Century Corporation Ltd.	Manufacturing	Manufacturers of whole milk for the local market - refinancing of existing debt required.	\$75 000 000.00	\$20 000 000.00	26-Sep-96	\$20 000 000.00	CDF	All conditions met, restructuring finalized, factory fully operational. Company has applied to <u>NBD</u> for funds to expand its operations.
8	Barrett Furniture Co. Ltd.	Manufacturing	Refinancing of high interest debt of a furniture manufacturing establishment to restore viability.	\$17 000 000.00	\$10 000 000.00	27-Feb-97	\$10 000 000.00	CDF	Legal documentation finalized and funds fully disbursed.
9	Clarendon Lime Co. Ltd. Phase 1	Mining	Phase 1 of an integrated limestone complex which involves the construction of limestone crushing plant and quarrying facilities at Woodside, Clarendon.	\$59 500 000.00	\$10 550 000.00	23-Jul-95	\$10 550 000.00	CDF	Fully disbursed. Crushing plant became operational in March 1996 but is now at a stand still. Original project proposal reviewed and recommendation being made to allow continuation of project.
10	North Coast Bauxite Exploration Project	Mining	Feasibility study to establish a one million tonne/annum alumina plant in Jamaica. Funding is being sought for the local component of the study ie. bauxite reserve evaluation and laboratory work.	\$30 000 000.00	\$30 000 000.00	26-Sep-94	\$27 500 000.00	CDF	Feasibility study almost complete. Progress satisfactory to date.
11	Faurens Limited	Mining	The project involves the extraction of marble blocks as well as aggregates and sand for building and road construction. The operation which is located in Colbeck, St. Catherine requires funding to refinance debt.	\$16 000 000.00	\$6 000 000.00	27-Feb-97	\$4 210 005.00	CDF	Funds disbursed to pay down debt and to mobilise the mining operations.
12	Little Bay Ltd./Little Pub Complex	Small Hotel	Refinancing of existing debt of the 22-room hotel, restaurant and night club in Ocho Rios.	\$44 251 360.00	\$20 000 000.00	07-Aug-97	\$0.00	CDF	NIBJ's preconditions to be satisfied.
13	Caribic Vacations Ltd.	Small Hotel	Refinancing of a tour and destinations management company catering to the European and S. American markets, and a 18-room hotel in Montego Bay.	\$10 700 000.00	\$5 700 000.00	24-Apr-97	\$5 700 000.00	CDF	Conditions precedent to disbursement satisfied, funds disbursed.

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
14	Tigress Cottages	Small Hotel	Refinancing of a 45-room hotel in Negril.	\$6 000 000.00	\$4 000 000.00	01-Oct-96	\$4 000 000.00	CDF	Debt restructuring exercise sucessfully concluded.
15	Blue Harbour Hotel	Small Hotel	Debt restructuring of a 22-room hotel in Montego Bay.	\$7 000 000.00	\$3 500 000.00	07-Jan-97	\$3 500 000.00	CDF	Debt restructured, promoters to source NDB facility for refurbishing.
16	Royal Court Hotel & Health Resort	Small Hotel	Restructuring of high interest debt of a 25-room hotel located in Montego Bay.	\$12 000 000.00	\$7 000 000.00	26-Sep-96	\$7 000 000.00	CDF	Conditions satisfied, debt restructured. Hotel experiencing low occupancy, professional marketing expertise being sought.
17	Club Inferno Resort Hotel & Restaurant	Small Hotel	Refinancing of the debt of a hotel and restaurant situated at the Holiday Village in Montego Bay.	\$20 000 000.00	\$20 000 000.00	07-Jan-97	\$16 693 491.10	CDF	All conditions met. Refurbishing incomplete. The operators to submit revised budget and additional information prior to any further disbursements. Functions are being held on the property.
18	La Mirage Hotel	Small Hotel	Refinancing of a small hotel in Montego Bay with a room capacity of 22, restaurant and convention facilities.	\$16 000 000.00	\$8 000 000.00	26-Sep-96	\$0.00	CDF	The original commercial bank (ITMB) has withdrawn their agreement to participate in the restructuring exercise. Former owners, who currently operate the hotel, have submitted a new proposal to the owners (Citizens). Tax to transfer the property back to the former owners waived by MOF.
19	Real Resort (Beaches Negril)	Tourism	Construction of a 225-room "all-inclusive" resort complex in Long Bay, Negril catering to singles, couples and families.	1 280 000 000.00	\$72 743 190.00	01-Apr-95	\$72 743 190.00	CDF	Fully disbursed. Resort became fully operational in December 1996.
20	Braco Village	Tourism	First phase of Braco Development, Trelawny involving the construction of a 180-room resort targeting adult couples and singles.	\$90 000 000.00	\$27 600 000.00	26-Sep-94	\$27 600 000.00	CDF	Fully operational. The Village has been experiencing cash flow constraints. Approval granted by NIBJ to capitalize the interest up to Feb. 1997 of \$7.6M. The hotel is to be operated by Super Clubs replacing FDR.

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
21	Day-O-Plantation Restaurant and Lounge	Tourism	Refinancing of debt of a restaurant that caters mainly to the tourism industry. Funds are also required to upgrade the facility to a tourist attraction.	\$30 600 000.00	\$13 500 000.00	27-May-97	\$12 155 250.00	CDF	Legal documentation completed. Funds disbursed to participating banks and towards upgrading the facility.
				JA \$2 004 651 360.00	JA \$343 593 190.00		JA \$293 651 936.10		

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
22	Mount Pleasant Estates	Agriculture	Located on 145 acres in Balcarres, Portland the project will involve 1) vertically integrated coffee production and 2) development of a cultural/ ecotourism product as well as repayment of high interest debt.	\$153 395 200.00	\$20 000 000.00	01-May-96	\$15 950 000.00	J\$ 1 billion bond	Financing finalized with Horizon. Coffee farm rehabilitated and acreage increased. Some debt has been repaid. Project ongoing.
23	Coffee Industries Ltd.	Agriculture	Expansion of existing processing facilities by the purchase of equipment and working capital.	\$80 000 000.00	\$4 845 000.00	24-Oct-96	\$0.00	J\$ 1 billion bond	Legal documentation and the satisfaction of NIBJ's conditions near completion.
24	NCST - Sidgrain Jamaica Limited	Agriculture	The establishment of a pilot project to produce sorghum for animal feed on 40 hectares of land, using waste water from the Greater Portmore Housing Scheme.	\$16 153 228.00	\$3 000 000.00	24-Oct-96	\$165 000.00	J\$ 1 billion bond	Funds disbursed for consultant to commence study.
25	Fellowship Aquaculture Ltd.	Agriculture	Refinancing of 87 acre fish farm in St. Catherine in order to recommence the production of fingerlings.	\$5 500 000.00	\$2 800 000.00	25-Apr-96	\$2 800 000.00	J\$ 1 billion bond	The farm has been rehabilitated and is operational, however the drought has negatively affected the company's sales. Interest payment now due to NIBJ cannot be made due to cash flow constraints. Additional equity being sourced to switch from the production of fingerlings to food fish.
26	Jamaica Livestock Association	Agriculture	NIBJ's commitment to co-underwrite the rights issue in the event of it being under subscribed.	\$60 000 000.00	\$4 406 836.50	24-Oct-96	\$4 406 836.50	J\$ 1 billion bond	A total of \$6 247 567.50 to co-underwrite the share issue was disbursed on 24 December 1996, however additional shares were subsequently taken up and NIBJ refunded \$1 840 731.00.
27	Grizzly's Entertainment Ltd.	Entertainment	The development of 2 integrated Entertainment park complexes in Negril, Westmoreland and Priory, St. Ann. Facilities will include auditorium, disco, cinema, studio music theme park museum and merchandising facilities.	\$149 728 350.00	\$13 000 000.00	26-Sep-96	\$13 000 000.00	J\$ 1 billion bond	Refurbishing of auditorium, stage and kitchen facilities has commenced. Promoters' proposal requesting that the balance of NIBJ's funds i.e. \$5.5M, be used for the purchase of technical equipment approved and funds disbursed.
28	International Magnetic Products	Manufacturing	Financing of the expansion of an existing company to purchase equipment and working capital. The company assembles transformers, inductors and coils for Far Eastern and US suppliers.	\$18 375 000.00	\$8 770 000.00	26-Sep-96	\$8 770 000.00	J\$ 1 billion bond	Fully disbursed. Expansion has started and plant operational.

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
29	Jamaica Edible Oils and Fats Co. Ltd.	Manufacturing	Establishment of an oil refinery utilising crude palm oil from Latin America.	\$152 000 000.00	\$18 000 000.00	25-Jul-96	\$18 000 000.00	J\$ 1 billion bond	Conditions met and funds disbursed. Construction and the intallation of machinery and equipment underway. Operations expected to commence in September 1997. NDB has been approached to direct lend funds previously approved.
30	Kokoya Group	Manufacturing	The manufacturing of garments for the professional woman in the European marketplace, utilizing state of the art production facilities in the Kingston Freezone.	\$43 950 000.00	\$5 000 000.00	01-May-96	\$0.00	J\$ 1 billion bond	Financing agreement not in place. Promoters actively trying to close financing gap. NIBJ approached for additional US\$70 000.00 in equity funding - request under review.
31	Canco Ltd.	Manufacturing	Food processing facility in Seaforth, St. Thomas, primarily involved in canning of pineapple, papaya and ackee as well as dried fruits. Project involves the expansion of existing warehouse space.	\$18 450 000.00	\$6 800 000.00	25-Jul-96	\$6 800 000.00	J\$ 1 billion bond	Expansion completed. Factory operational and supplying products to local and Canadian markets.
32	Western Cement Company	Mining	The construction of a lime manufacturing facility on the former Revere Bauxite site in Maggotty, St. Elizabeth. Products will be for the local and export markets.	\$392 000 000.00	\$11 212 800.00	28-Oct-96	\$11 166 236.22	J\$ 1 billion bond	Conditions met, funds fully disbursed and mining operations commence in April 1997. Fire caused by a fuel line leak resulted in the temporary closure of the facility and losses estimated at \$600 000.00. Production resumed in August 1997.
33	Clarendon Lime Co. Ltd. Phase 2	Mining	The installation and commissioning of a Lime plant. \$ 22.4M approved Feb 1997.	\$200 000 000.00	\$22 400 000.00	01-Feb-96	\$0.00	J\$ 1 billion bond	Financing not yet finalized. No work has started on the project. Project being reviewed to determine size of plant. Invitation for equity participation submitted to Rugby Cement Company and Glencore.
34	Port Royal Development Co.	Tourism	Feasibility study for the development of Port Royal.	\$15 000 000.00	\$4 600 000.00	01-Feb-96	\$4 600 000.00	J\$ 1 billion bond	Fully disbursed. Feasibility study completed and Memorandum of Understanding signed with G.O.J.
				JA \$1 304 551 778.00	JA \$124 834 636.50	JA \$85 658 072.72			
35	InfoChannel	Information Tech	The project involves the services to support and faciliate the development and distribution of telecommunication and information technology.	\$35 750 013.00	\$7 139 123.00	24-Oct-96	\$7 139 123.00	NIBJ's Funds	Fully disbursed. The project is fully operational. Subscription for service continue to increase above expectations.
				JA \$35 750 013.00	JA \$7 139 123.00	JA \$7 139 123.00			

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
36	International Magnetic Products II	Manufacturing	Additional funds approved to cover shortfall in working capital. Project cost same as under JS Bond.	\$0.00	\$200 000.00	28-Nov-96	\$200 000.00	US\$ 50 million bond	All conditions satisfied. Fully disbursed. Plant operational.
37	Hedonism Runaway Bay	Tourism	An all-inclusive hotel with 225 rooms. It will be marketed as a "fun" resort catering to middle and upper end couples and singles.	\$31 000 000.00	\$14 000 000.00	01-Feb-96	\$0.00	US\$ 50 million bond	Pre-construction phase complete but actual construction scheduled to commenced in the last quarter of 1997. G.O.J. has been approached for additional financing. NIBJ has approved an additional US\$7M on 97/05/29 for a total of US\$14M.
38	Couples, Negril	Tourism	Development of a 250-room all-inclusive resort targeting the 25-35 age group, located in Bloody Bay, Negril on 15 acres of land with 100 feet of beach frontage.	\$22 000 000.00	\$4 000 000.00	24-Apr-96	\$750 000.00	US\$ 50 million bond	Construction financed by other equity partners commenced in January 1997. All NIBJ's conditions satisfied. Draw down of NIBJ's funds began in August 1997.
39	Braco Pebbles	Tourism	Second phase of Braco Village, involving the development of a 280-suite all-inclusive family resort. 156 of which will be sold and leased back. US\$3M approved March '96.	\$11 800 000.00	\$3 000 000.00	01-Mar-96	\$3 000 000.00	US\$ 50 million bond	This project involves four phases. NIBJ has invested in Phase 1 which is the construction of 52 units. Construction near completion and to be incorporated with new operating agreement signed with Super Clubs. Additional funding being sought with G.O.J.
40	Seawind Le Meridien	Tourism	UDC and private investors for the expansion of property by the addition of 146 rooms and central facilities including a convention hall, to realise a 250 room all-inclusive resort.	\$18 750 000.00	\$10 000 000.00	25-Apr-96	\$0.00	US\$ 50 million bond	Financing arrangements to be finalized. Sponsors in process of finalizing all agreements, contracts etc.
41	Drax Hall Hotel and Golf Club (Marriott)	Tourism	The development of 180 villa lots, villas, 15 condo sites, a 27-hole golf course, a 100 slip marina and village and a 280-room beachfront hotel on 800 acres of land in St. Ann.	\$64 700 000.00	\$6 000 000.00	01-Mar-96	\$0.00	US\$ 50 million bond	Financing to be finalized. G.O.J. has been approached for additional assistance by way of guarantee, this was not approved.
42	Swept Away - Trelawny	Tourism	The construction of a 227-room all-inclusive hotel on 37 acres of land in Duncans Bay, Trelawny.	\$45 000 000.00	\$14 400 000.00	28-Nov-96	\$0.00	US\$ 50 million bond	G.O.J. has been approached to close the gap. NIBJ approved an additional US\$9.4M on 97/06/26 for a total of US\$14.4M. Construction to commence January 1998.

	Project Title	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
43	Port Royal Dev. Co. Ltd. II (Advance)	Tourism	The total project is expected to cost US\$52.0M however project document has not been finalized. NIBJ has advanced on US\$2.0M private placement.	\$52 000 000.00	\$400 000.00	27-Feb-97	\$400 000.00	US\$ 50 million bond	Project document finalized and private placement on the market.
44	Ritz-Carlton at Rose Hall (Rollins)	Tourism	The Ritz-Carltn at Rose Hall, Monteg Bay will consist of 388 deluxe guest rooms and 42 suites facing the sea and incorporating the architectural style of the Great House on the property. The hotel will also off a spa and golf facilities.	\$117 241 932.00	\$6 000 000.00	30-Apr-97	\$0.00	US\$ 50 million bond	Conditions to be met and legal documentation to be finalized. NDB to provide US\$5.7M in debt financing.
45	Beaches Whitehouse	Tourism	The development of a 273-room all-inclusive hotel in Whitehouse, Westmoreland.	\$52 000 000.00	\$10 000 000.00	26-Jun-97	\$0.00	US\$ 50 million bond	NIBJ's conditions to be met. NDB to provide US\$10M in debt financing. Construction is expected to start in the last quarter of 1997.
46	Mahoe Beach Village Resort	Tourism	Refinancing of a beach park in Montego Bay.	\$9 600 000.00	\$31 000.00	25-Apr-96	\$31 000.00	US\$ 50 million bond	Legal documentation finalized however significant variation has been made to the project. An amount of \$1.6M was approved of which \$31 000 has been disbursed. NIBJ has formally de-committed on the project and has issued a demand note for the amount disbursed.
				US \$424 091 932.00	US \$68 031 000.00				
				J\$ Equivalent at J\$35:US\$1	J\$14 843 217 620.00	J\$2 381 085 000.00	J\$153 335 000.00		
				GRAND TOTAL IN J\$	J\$18 188 170 771.00	J\$2 856 651 949.50	J\$539 784 131.82		

DC 34/OPM(DCTS) 17/97 1

NATIONAL INDUSTRIAL POLICY
PRIORITIES FOR
THE NEXT PHASE OF POLICY IMPLEMENTATION:
1997-1999

1. Objective

1.1 The central objective of this new phase of policy implementation is: GROWTH WITH STABILITY.

1.2 The implementation strategy will focus on the two essential and combined tasks of:
(a) consolidating the gains made to date, and
(b) building on those gains to achieve the objective of growth with stability.

1.3 Having created the conditions for macroeconomic stability, the aim is to preserve those conditions by rigorous pursuit of the appropriate monetary and fiscal policies, using the full range of instruments and tools available and successfully deployed this past year.

1.4 At the same time, it will be necessary to move the policy-mix towards greater emphasis on measures to promote investment in the productive sectors and growth of exports.

2. Key Elements of the Strategy

2.1 The key elements of the strategy during this next phase are the following:

- * *Strengthen and reinforce measures to provide the appropriate environment of stability and predictability to facilitate long-term investment.*
- * *Design measures to shift the balance of investment decisions from short-term financial instruments to long-term investment in the productive sectors.*
- * *Pursue an aggressive export-expansion programme based on proven strengths in dynamic sectors of the economy that are ripe for expansion.*
- * *Orient government budgetary allocations to investment in human resources and infrastructure, the incentive system, and a broad-based support framework, so as to remedy bottlenecks and constraints facing producers in the targeted sectors.*

3. Specific Programmes and Initiatives

3.1 (a) Measures to reduce cash-reserve requirements accompanied by the continued downward trend in interest rates and the shift in government debt-instruments towards the long end will create the required financial conditions to stimulate long-term investment.

(b) The public-sector financial institutions will be geared up to act as catalyst in the investment process, through increasing the supply of development-oriented long-term credit and improving access for credit-worthy projects.

(c) The restructuring process taking place within the financial sector will serve to strengthen confidence in the financial system and maintain the incentive for saving and investment.

3.2 The *export-expansion programme* will focus on the targeted growth-poles in the five strategic clusters identified in the National Industrial Policy. Government support-measures generally available to all sectors will be concentrated on providing support to viable projects that are capable of yielding early and significant gains in export earnings, in both traditional and non-traditional areas of exports. The Industry Advisory Councils that are now being organised will be mobilised to help coordinate and drive this effort.

3.3 Continued and new measures will be taken in support of the twin long-term strategy of export-led development and efficient import substitution. In this respect, the chief matters of major concern to be dealt with are:

(a) securing *a competitive level of the exchange rate*, consistent with the changing fundamentals of costs and prices relative to Jamaica's trading partners;

(b) *review of trade policy and strategic repositioning of Jamaica's international relations* (CARICOM, NAFTA, ACS, FTAA, EU/Lome) to accommodate to current global trends in trade, investment, and foreign assistance;

(c) strengthening and effective enforcement of *anti-dumping legislation*, improved *monitoring and testing*, to ensure that imported goods meet the appropriate health, safety, and phytosanitary standards, and that domestic producers are not subject to unfair competition;

(b) *review and restructuring of the complex and unwieldy system of incentives* that currently exists so as to provide a more uniform, transparent, and performance-oriented system that is consistent with international rules and regulations under the WTO agreements and with preserving Jamaica's competitive position in relation to other countries;

(c) a *drive for increased productivity and product innovation*, focused on sector-specific and firm-level requirements identified in the NIP, so as to improve the capability of firms to deliver quality products at a competitive price in both domestic and export markets.

3.4 The *employment-expansion programme* will be based essentially on:

(a) efforts to increase production and exports in the dynamic sectors of the economy, and

(b) the spinoffs to be gained through growth in the small business and micro-enterprise sector.

In addition, special measures will be taken to provide direct support to the small-business and micro-enterprise sector. Youth unemployment is a critical area of concern, to be addressed through targeted job-training programmes.

3.5 Maintaining *the infrastructural investment programme* in physical and social infrastructure will be of fundamental importance to all of these efforts.

3.6 High priority will be given to *education and training of the labour force*, concentrating on early education as the base of the process, in a push to prepare adults and youth to cope with rapid changes taking place in the economy and society.

September 5, 1997

(Prepared by Donald J. Harris)

DC 33/OPM (NIBJ) 16/97

17



MEMORANDUM

TO : The Right Honourable Prime Minister, Chairman of the Development Council

FROM: Vincent Lawrence

DATE: 8 July 1997

SUBJ: Jamaica Railway Corporation

In order to achieve

- (a) A speedy divestment of the Jamaica Railway Corporation (JRC),
- (b) The benefits which will accrue to the economy if the railway is allowed to play its critical role in the Government's transportation policy,

the Development Council is being asked to approve:

- (i) The revitalisation of the railway passenger service on the Kingston to Spanish Town and Linstead line as contained in the proposal submitted by Rail India Technical and Economic Services Ltd (RITES). It is estimated that the cost of rehabilitation and operation for 3 months will total \$84.7M plus the cost of electricity, fuel, lubricants, and taxes, duties and levies payable in Jamaica.

- (ii) The revitalisation of the railway passenger service from Spanish Town to Williamsfield as contained in the above proposal. Attempts will be made to divest the railway as a going concern while this section of the track is being rehabilitated. It is estimated that the cost of rehabilitation of the Spanish Town to Williamsfield section and operation of the Kingston to Williamsfield line for 1 year will amount to \$194.145M. As in the previous costing electricity, fuel, lubricants, and taxes, duties and levies payable in Jamaica have not been included.

The attached paper prepared by the National Investment Bank of Jamaica is hereby submitted in support of the request.

NATIONAL INVESTMENT BANK OF JAMAICA

JAMAICA RAILWAY CORPORATION

SUMMARY OF PROPOSAL FOR REVITALISATION OF THE RAILWAY

Rail India Technical and Economic Services Ltd (RITES) was authorised by the National Investment Bank of Jamaica (NIBJ) to submit a proposal for the revitalisation of the railway passenger and freight services between Kingston and Montego Bay. The proposal would be used to assess the best use of resources at this time. It would indicate the resources necessary to revitalise the service in the shortest possible time and at the least possible cost commensurate with reliability and safety. This cost could be compared to the cost of keeping the railway open or closing it down and putting extensive and costly security arrangements in place.

RITES was also authorised to submit a proposal for a techno-economic feasibility study for the revival of freight services and a viability study for freight and passenger services for the entire system. This study is necessary to attract potential investors so that the railway can be expeditiously divested as a going concern.

RITES is a Government of India Enterprise and was established in 1974 under the aegis of Indian Railways. RITES presents itself as a leading consultant with operational experience in 40 countries of Africa, Asia, and Central and South America. Promotional material describes the company as having extensive experience in undertaking feasibility studies, operations and maintenance and rehabilitation of assets etc. RITES draws from the technological base and expertise of the Indian Railways which is a vibrant and successful system with annual gross revenues of US\$6,400 million and expenditure of US\$5,370 million. The company employs nearly 2,000 staff including over 1,000 specialists with high professional standing in engineering, management and planning. It also employs short-term consultants.

RITES proposes to revive and operate the railway service in two Phases.

Phase I

Phase I would result in the rehabilitation and operation of a passenger service on the Kingston - Spanish Town – Linstead line. The rehabilitation would begin 2 weeks after the contract is signed and financial arrangements confirmed and would cover tracks, bridges, locomotives, coaches, stations, communication and train control centres and other operational facilities. The rehabilitation is scheduled to take 3 ½ months. The passenger service would therefore start 4 months after the signing of the contract and would consist of 8 trains per day on the Kingston to Spanish Town sections and 4 trains per day on the Kingston to Linstead sections. Each train would have 3 coaches.

Phase II

In Phase II the train service would be extended to Williamsfield. Additional coaches, locomotives, tracks, buildings and structures would be rehabilitated. Systems and procedures would be consolidated and any problems corrected. The Phase II rehabilitation would begin when the passenger service in Phase 1 begins and would be completed in 3 months. It would result in additional trains being introduced thereby reducing transit time and enhancing trailing loads. Trains on the Spanish Town to Williamsfield section would carry 6 coaches and the other trains would have additional coaches. The Kingston to Spanish Town section would have 10 trains per day. The Spanish Town to Linstead section would have 4 trains per day and the Spanish Town to Williamsfield section 2 trains per day.

Costs

The table below summarises the costs for the revitalisation of the railway. The proposal schedules the rehabilitation of the Kingston to Spanish Town and Linstead line from mid July to 31 October 1997. The passenger service would be in operation for 3 months, from November to January 1998, while the line from Spanish Town to Williamsfield is being rehabilitated. The Kingston to Williamsfield service is scheduled to begin on 31 January 1998.

Phases	Capital	Costs	Operating	Costs	Total	
	US\$M	J\$M equivalent	US\$M	J\$M equivalent	US\$M	J\$M equivalent
Phase I 3 months rehabilitation and 3 months operation Kingston – Spanish Town – Linstead	1.627	56.945	0.793	27.755	2.42	84.7
Phase II 3 months rehabilitation Spanish Town – Williamsfield and 1 Year operation Kingston – Spanish Town – Williamsfield	0.889	31.115	4.658	163.03	5.547	194.145
Total	\$2.516	\$88.06	\$5.451	\$190.785	\$7.967	\$278.845

The cost of electricity, fuel and lubricants for the operation of trains, and taxes, duties and levies payable in Jamaica have not been included in the costings.

Current Financial Position of the JRC

Since 1993 when the staff of the JRC was terminated the corporation was mandated to undertake the following activities.

- Administration of pension payments to 1,200 persons
- Conclusion of the Alstom/JRC Agreement under the French/Jamaican Protocol
- Contractual obligations to Alcan under the Track User Agreement. This includes: maintenance of permanent track structures, monitoring and inspection of routine maintenance; provision of ballast, equipment, gate-

- keeping and security personnel; meeting 20% routine maintenance cost; renovating gate quarters etc.
- Providing security for the JRC machinery, equipment , buildings and land spanning 2,800 acres from Kingston to Montego Bay, Spanish Town to Port Antonio and May Pen to Frankfield.
- Bringing the Financial records up-to-date
- Assisting the Divestment process
- Administration of 700 tenants and controlling squatting and capturing

In order for JRC to fulfill its obligations under the Track user Agreement it is necessary for the track between Kingston to Spanish Town to remain open so that JRC can service Alcan locomotives and lease JRC locomotives to Alcan. The income earned from these activities along with the Track User Fee finances JRC's expenditure. Alcan usually retains 70% of any payments to be made to JRC for the lease or servicing of locomotives and puts this amount toward reducing JRC's debt to Alcan. This debt is the result of capital improvements which Alcan has undertaken on behalf of JRC.

In March 1996 JRC had a total of 81 employees. Forty one of these employees are necessary if the corporation is to fulfill its obligations under the Track User Agreement. These include 19 employees to man 19 gates at rail/road crossings, 3 train controllers, 1 track personnel, and 18 technical members of staff in the workshop. Of the remaining staff 12 were in property management, accounts and stores and 28 provided security (6 of these are outstation caretakers). Security is a primary concern especially at JRC Headquarters which is bordered by Industrial Terrace, Water Lane, Pechon Street, Darling Street, Barry Street, Lizard Town and Tivoli Gardens. Some of these employees have had to be terminated because of financial constraints.

The JRC's meagre income has been severely depleted because the section of the track between Kingston and Spanish Town is below the basic safety standard and was officially closed in January 1997. JRC has therefore not been able to undertake any income earning activities under the Track User Agreement. Alcan has rescheduled its locomotive maintenance programme because the JRC cannot undertake any maintenance. The JRC currently earns only the Track User fee of US\$45,000 per month, net of 20% for maintenance costs and J\$400,000 which Alcan applies towards JRC's debt.

JRC through the Ministry of Public Utilities and Transport had sought to have its estimate for necessary capital expenditure included in the 1997/98 Budget. This was not done. The JRC has presented its current options as follows:

Option 1

Funding of J\$12.9M will allow JRC to remain open for 3 to 6 months and to continue with routine duties and maintain security as they are currently doing. The projected expenses are broken down as follows.

	\$M
Increasing security, personnel, equipment and construction	9.4
Vehicles	2.5
Litigation damages awarded Jan 1997	<u>1.0</u>
Total	\$12.9

Option 2

Funding of J\$54.6M will allow JRC to rehabilitate the track from Kingston to Spanish Town and resume the maintenance programme for Alcan under the Track User Agreement. This will allow JRC to remain open for more than 6 months. The proposed expenditure will be broken down as follows:

	\$M
Increasing security, personnel equipment and construction	13.0
Rehabilitation of track Kingston to Spanish Town to meet minimum safety requirements	14.6
Spare parts	13.2
Track Maintenance (mainly bushing) Kingston to Montego Bay to enable inspection	4.3
Utility Vehicles	2.5
Litigation damages (as above)	1.0
Emergency land titling and repossession	<u>6.0</u>
Total	\$54.6

Both the above options would require that Government make arrangements with Alcan so that JRC will have the full use of the Track User fee and additional amounts not yet applied to indebtedness.

Option 3

To close down existing operations and put extensive security arrangements in place. JRC has stated that the Jamaica Defence Force would have to be asked to assist and that prompt arrangements would have to be made to prevent widespread vandalism, scrapping and capturing of property, particularly railway tracks, outstations, rolling stock and machinery.

Estimated Revenues

The JRC has estimated that J\$54.6M (64% of the cost of the Phase 1 revitalisation) will be needed to rehabilitate the track from Kingston to Spanish Town so that JRC can resume the maintenance programme for Alcan under the Track User Agreement. JRC estimates that it then would be able to earn approximately J\$20M per annum from renting locomotives to Alcan and Alcoa and over J\$1M from providing workshop services to these companies. The JRC says that these activities will be compatible with a passenger service. If the track is rehabilitated as RITES proposes JRC has estimated that the revenues from the Phase I passenger service, using fares equivalent to current bus fares, would amount to approximately J\$13M per annum. Revenues from the Phase II passenger service calculated on the same basis are estimated to total about J\$27M per annum. In addition to these rough calculations totaling about \$69M in revenue for 15 months of operation there is also the possibility of some revenue from unscheduled freight services. It is therefore quite possible that at least 81% of the cost of the rehabilitation and 3 months operation of the trains in Phase I can be covered by revenues.

The objective is to divest the railway as quickly as possible after the completion of Phase I. There is therefore some urgency for completing the feasibility studies because they will be needed to attract the necessary private capital for the development and operation of Phase II and the revitalisation of the full passenger and freight service from Kingston to Montego Bay. Previous studies have indicated that the revenue from the freight service from Kingston to Montego Bay will make the entire project viable. However, it is necessary for RITES to undertake their own study to provide a measure against which their performance as operators can be assessed. The feasibility studies will cost US\$152,500 (J\$5.338M) to be completed. NIBJ is making preparations for the commissioning of the feasibility studies.

Meetings have been held with former members of the private sector consortium Railway Management Services (RMS), which was interested in bidding for the railway before negotiations began with Jamaica Rail Ltd (JRL). RMS had asked the Negotiating Team for the privatisation of the JRC to negotiate first with JRL and if negotiations fell through to call them in for negotiations. The Prime Minister had also confirmed that this would happen. The group which had been disbanded is being reconstituted and the current members have indicated an interest in the project and will enter into further discussions once the feasibility studies have been completed.

The Government's support is being sought for the revitalisation for the following reasons. The JRC will require substantial funds to resume its limited operations, and a complete closure of the JRC would require massive funding to safeguard its assets. Therefore in the long run funds would be best utilised if JRC could resume its maintenance and leasing operations and provide at least a railway

passenger service which will generate some additional revenues. The railway service can then be divested as a going concern. The railway is critical to the Government's transportation policy and a speedy reactivation will ensure that the railway service is both divested and maintained. Finally, the prospective operator, RITES, appears competent and anxious to commence the assignment.

Libraries

NIBJ
8 July 1997

Report on Meeting of Development Council
Ocho Rios, September 12-13, 1997

1. The Council reviewed the implementation of the National Industrial Policy, with specific reference to the next phase of policy implementation. The Council received, for this purpose, and discussed a document detailing a comprehensive review of the performance to date carried out by the Technical Secretariat of the Development Council, entitled *National Industrial Policy, Review and Assessment of Performance in the First Year*, as well as progress reports from the implementing agencies. This document is to be tabled in Parliament. Following on that, the final parish presentation in the Public Awareness Programme will be held in Kingston, the main presentation to be given by the Prime Minister.
2. Recognition was given to the real achievements in implementation of the NIP on a broad front, including: macroeconomic stabilisation, adjustment and rehabilitation of the financial sector, adoption of new incentive legislation, packaging of investment projects, infrastructure investment, human resource development, remedying bottleneck factors to investment, and strengthening the institutional framework (labour market, capital market, and public administration). Special attention was given to the initiatives being taken at the sectoral and firm level in both manufacturing and agriculture in pursuit of the goals of the NIP, specifically in the areas of trade promotion, export diversification, improvements in production methods, pest and disease control, organizational strengthening through building alliances and networks among firms and agencies.
3. Key features of the government's support programme for dealing with the adjustment process taking place in the economy were reviewed, including assistance to affected firms in targeted sectors, such as Apparel and the Dairy Industry, provision of finance for refinancing and restructuring of viable enterprises, and technical support.
4. The existence of significant production improvement and expansion programmes carried out by the private sector in a wide range of economic activities, and resulting from private-sector initiatives buttressed by government support, was noted.
5. The Council took note of the positive response and participation by the private sector in the implementation process of the NIP, specifically in terms of the establishment of Industry Advisory Councils (IACs) in the targeted industry-clusters. These Councils are to focus on sector-specific issues and to advise on strategies and action plans for individual sectors. So far, out of a total of eight targeted IACs, five have been formed in the following clusters (with appointed chairmen) as follows: Cluster #5 (minerals, chemicals, ceramics)- Mr. Ray Gendron of Alpart; Cluster #4a (apparel) - Ambassador Peter King; Cluster #4b (light manufacturing) - Mr. Barclay Ewart of Alkali Ltd.; Cluster #3 (agro-industry & agriculture) - Mrs. Beverley Morgan of Blooming Things Ltd. Three other IACs are now being formed in the other clusters.

6. The Development Council decided to give strong support to the continuation of this thrust involving partnership between government and private sector in the implementation process. The Minister of Industry, Investment, and Commerce is to chair a committee comprised of Chairmen of the IACs to review recommendations and action plans coming from the individual IACs. The Minister will make recommendations to the Development Council and forward information to the National Planning Council. This decision formalizes the procedures for carrying forward the results coming out of the work currently being done in the individual IACs. A specific timetable was set for completing formation of the remaining IACs and for forwarding recommendations to the Development Council so as to meet the schedule of the budget cycle for the new fiscal year.

7. Special consideration was given by the Council to the problem of productivity in the Jamaican economy. A report on an in-depth analysis of this problem was presented by the Technical Secretariat and reviewed by the Council. Productivity improvement was recognized as a key component of the process of achieving international competitiveness and increasing economic growth and income levels. The key role of efforts at the level of individual firms and enterprises was recognized as essential to success. The Council decided to set up a special team to focus on developing strategies of productivity enhancement in targeted sectors and to work with particular firms in those sectors to identify specific factors involved and practical examples of how the process works to be used for demonstration and dissemination to other firms.

8. The area of infrastructure also received special and detailed attention.

8a. A presentation was made on options for revitalizing the railway. The Permanent Secretary in the Ministry of Public Utilities and Transport was assigned responsibility for coordinating the follow-up on this matter, working in conjunction with the National Investment Bank of Jamaica.

8b. The Ministry of Public Utilities and Transport reported on the status of various projects currently underway to provide water and sewage facilities in North Coast communities. It was noted that there were problems involved in coordination among agencies and contractors and in assuring the quality of work performed. The Council instructed that the mechanism by which contracts are certified for payment be modified in order to improve the quality and quantity of work performed in infrastructure projects. The Managing Director of the National Water Commission, along with his technical team and the Minister of Tourism, will visit Negril to review progress on projects in that community and to establish a firm schedule for completion.

9. Reports were received and reviewed on the funding of all the public-sector financial institutions (NIBJ, NDB, ACB, JMB, MIDA, Ex-Im Bank, Self Start Fund). The Council examined the demand for resources in these institutions. Total demand has been identified of US\$105 million in foreign currency and J\$2.9 billion in local currency. It was decided that these resources will be provided as required. It was also decided that an additional amount of J\$5 million will be provided

to support the micro-enterprise sector through the Self Start Programme and \$10 million for ASSIST, to be provided in the Supplementary Estimates.

10. A technical team responsible for the debt restructuring programme is to review the programme and make recommendations with specific reference to the ceiling on equity instruments as well as collateral requirements.

11. The issue of NDB participating in refinancing of existing assets and the allocation of additional resources to the small business sector was discussed. It was agreed that a recommendation is to be tabled for consideration by Cabinet.

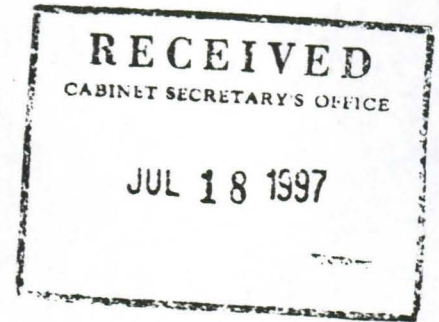
12. The Managing Director of Ex-Im Bank reported on the status and terms of the lines of credit to Cuba and to Haiti.

13. JAMPRO sought support of the Development Council for its new initiatives in various areas, including its marketing strategy of a master brand which acts as an umbrella to promote the products of Jamaica, taking advantage of the high-profile quality symbols in reggae music, athletics, and tourism. Other strategies discussed included: establishment of industrial parks as economic zones for attracting major foreign investments; development of offshore financial services; diversification of the tourism product; investment packaging; integration of Geographical Information Systems (GIS) into project development work for matching investors needs to available resources; methods for accelerating and streamlining the approval process.

DC4/97

CONFIDENTIAL

MEETING OF THE
DEVELOPMENT COUNCIL
WEDNESDAY, JULY 9, 1997
10.30 A.M.



PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and Transport
Dr. the Hon. Paul Robertson, Minister of Industry, Investment and
Commerce
Hon. Francis Tulloch, Minister for Tourism
Hon. Dr. Carlton Davis, O.J., C.D., Cabinet Secretary/
Permanent Secretary, OPM
Mrs. Charmaine Constantine, C.D., Permanent Secretary, OPM
Hon. Miss Shirley Tyndall, O.J., C.D., Financial Secretary
Mr. Ransford Smith, Permanent Secretary, MIIC
Mr. Derek Latibeaudierre, Governor, Bank of Jamaica
Dr. Wesley Hughes, Director-General, Planning Institute of Jamaica
Dr. Vincent Lawrence, Urban Development Corporation
Mr. Kingsley Thomas, Agricultural Credit Bank
Mrs. Pat Francis, President, JAMPRO
Professor Don Harris, Office of the Prime Minister

IN ATTENDANCE:

Mrs. Veniece Pottinger, JAMPRO
Ms. Enith Williams, PIOJ
Ms Uta Schumacher, Technical Secretariat, Development Council
Mr. Paul Dixon, Special Executive Assistant to HPM
Ms. Michele Alexander, Cabinet Office
Ms. Ula Miller, Cabinet Office

APOLOGY FOR ABSENCE

The Cabinet Secretary tendered an apology for the absence of
Mr. Nathan Richards.

CONFIRMATION OF MINUTES

Minutes No. DC3/97 were confirmed.

2

CONFIDENTIALMATTERS ARISING:(i) - REPORT ON HOTEL PROJECTS

Dr. Lawrence said that progress was being made with the projects, but not as rapidly as he had hoped. A great deal of work still remained to be done to finalise the arrangements, he said.

HEDONISM II - Runaway Bay

Dr. Lawrence reported that there was a little dispute over the tenders and that the financing was taking longer to process than anticipated. It was hoped, he said, to clear these matters within the next few weeks.

SWEPT AWAY - Trelawny

Dr. Lawrence said that most of the outstanding matters had been settled. The delay, he said was due to one major outstanding issue - the supply of electricity and water. He said the developers were trying to provide their own water supplies, but discussions had been held with the National Water Commission with regard to supplies from Negril.

RITZ CARLTON - Montego Bay

Dr. Lawrence said efforts were being made to raise the necessary funding and the developers were on schedule with their time-table.

BEACHES - WHITEHOUSE

Dr. Lawrence reported that the situation with regard to financing was similar to that of Ritz Carlton and discussion with the NDB was proceeding urgently. In addition, he said, the water supply issue had to be settled and that work could commence anytime soon, dependent on the settlement of the ownership of the water system.

Dr. Hughes expressed concern that the commencement of the Whitehouse project would result in the movement of great numbers of people to the area, thereby causing a squatting problem.

Dr. Hughes felt that there was need for a meeting of the relevant Agencies to formulate some plan to prevent the problem.

Dr. Lawrence shared the view and undertook to make the necessary arrangements.

CONFIDENTIAL

DC4/97

MARRIOTT - Drax Hall

Dr. Lawrence said that the financing gap had been reduced from \$31.7M to \$8M, which was being worked on. Final designs were also being worked on, and within another 10-14 days it would be possible to finally set a commencement date, he said.

Dr. Lawrence raised the outstanding issue of access to resources at the appropriate time and sought some re-assurance.

Minister Davies indicated that he had set up a three-person task force, as he wished to ensure that commitments and draw-downs were more substantively synchronized.

The Minister said he would be submitting a proposal to Development Council on the matter.

BRACO VILLAGE AND BRACO PEBBLES

Dr. Lawrence indicated that the project was being dealt with. He said that Braco had failed to respond to the directive from the last meeting of the Development Council. A Shareholders' meeting had been requested and due notice had been served; request had been made for presentation of the financing position; submission of members of the Board and the proposed new Shareholders' Agreement.

The Prime Minister said that there should be a coordinated position involving the relevant agencies - NHT, ACB and NIF - and that Tourism should be involved.

(The Financial Secretary and Dr. Lawrence left the meeting)

(11) - PRODUCTIVITY

The Cabinet Secretary said that the meeting to be convened was scheduled for July 18, 1997. He said it was felt that effort should not be dissipated in trying to make the entire country productive in one fell swoop. He said the bauxite and tourism sectors were taking care of themselves, and emphasis should be placed on manufacturing.

With regard to Sugar, the Cabinet Secretary referred to a report from the NIBJ, which he termed superficial. He said that sugar could affect the Government, if by the year 2001 it was still costing some 23 cents per lb to produce; it would be Government's problem, because of the tremendous impact on employment. His impression, he said, was that the progress towards any sort of efficiency in cost terms was virtually non-existent.

DC4/97

The NIBJ's report, Dr. Davis said, remained a status report, focussing on how land was being distributed with very little technical assessment as to progress in achieving the 11 cents per pound. Efforts to protect Government's interest were not reflected in the report, he added.

The Minister of Finance said that for an extended period nothing had been done with regard to shareholders. He said there was difficulty with the major shareholders; majority shareholders were also the management team; and there was finally an agreement for renegotiation of the Management Agreement. Efforts were being made to dismantle the Agreement to make it more transparent, and to have a more equitable contract between shareholders and management, he said.

The Minister said there was no incentive for efficiency and there was resistance to change. There could be some interest from this quarter in discussions for a devaluation of the dollar, he said.

He mentioned that he had recently received a letter from Mr. Cameron, which stated that unless he received an increase in the price of sugar immediately, he would be closing down by the end of July.

A request was also made for the reinstitution of the same powers enjoyed by the SIA, the Minister said.

It was considered that brinkmanship was being exercised, because it was felt that Government could not afford the social dislocation, at this time.

Mrs. Pat Francis mentioned that she had heard the view expressed that unless the dollar moved to 44:1 the sugar industry would collapse.

The Minister of Finance pointed out that sugar was not under price control. He said, only the SIA had the right to import brown sugar; there were no restrictions on the importation of refined sugar, but there was a reference price, against which customs duty was calculated and this prevented the importation of refined sugar to undersell brown sugar.

There was complaint, the Minister said, that the reference price established was too low; Cabinet had therefore approved raising that reference price, which would give the brown sugar market more coverage.

The increase now sought, he said, was in the price of brown sugar which was not controlled.

DC4/97

The Cabinet Secretary said that a lot of lessons could be learned from the privatisation process through the sugar industry.

The Prime Minister directed that the matter of sugar should be further pursued and a report submitted to the Council. The Minister of Finance would also deal with the pricing aspect.

Operational Modalities for direct lending by the National Development Bank of Jamaica - Submission DC32/MFP2/97

The Prime Minister directed that the Minister of Finance should convene a meeting of all the relevant persons to examine the paper.

National Industrial Policy Implementation Update - Submission DC31/MIIC (JAMPRO) 10/97

Mrs. Pat Francis reported that excellent progress was being made since the last meeting.

The Prime Minister made reference to mention in the paper that there had been insistence "that private sector...should become members of the Development Council". His view was that there was involvement at the Advisory Council level.

Continuing, Mrs. Francis said that the interest from the private sector was tremendous. Discussions were proceeding, on the advice of the Council, with select groups - PSOJ, Bankers, etc. - rather than in public meetings and the results were more satisfactory. She said requests had been made for the publication of the findings of the first year's review of the National Industrial Policy, indicating benchmarks and targets. She thought that a precis of the report from Professor Harris could be used for information.

An Industry Advisory Council for Cluster #5 of the National Industrial Policy had been established and two such Councils for Cluster #4 (one for the General Manufacturing group and one specifically for the Apparel sector).

With respect to tourism, entertainment and sport, Advisory Councils had been established, with entertainment and sport in a separate sub-group.

Shipping and berthing and information technology were to be stipulated in two separate groups, she said, and therefore there would be eight Advisory Councils instead of five.

Mrs. Francis said that some of the Councils would report to the respective Ministries.

The Prime Minister asked that the flow of the information developed into the central system should be ensured.

CONFIDENTIAL

Mrs. Francis said that JAMPRO was represented on each Council and carried out an overall secretarial function for most of them.

She mentioned that respective Ministers and Permanent Secretaries were supposed to sit on the Councils, which were chaired by the private sector. That situation, she said, maintained in all cases, except tourism. Mining had the most dynamic situation with the Chairman being from ALPART.

The function of the Councils were taken very seriously, **Mrs. Francis** said. Three absences from meetings within a year meant automatic forfeiture of membership.

Mrs. Francis said that enquiries had been made as to whether the Prime Minister would give up the chairmanship of the Tourism Council.

The Prime Minister said he had no problem with the establishment of a separate Advisory Council. He said that the Prime Minister's Advisory Council enured from a recommendation of the McIntyre Committee which indicated that tourism spanned virtually everything in terms of ministries and sectors and therefore there had to be a level of strategic decision-making on the industry and if it were to be given the importance it needed it should be called the Prime Minister's Advisory Council.

He said he expected the Advisory Council to deal with those matters in the National Industrial Policy which were tourism related, without prejudice to his Council, which met twice per year. While he would have no objection to the Chairman of the Advisory Council being a member of his Council, he said there should be no feeling that it was a replacement.

Professor Harris said that tourism seemed to have a proliferation of Councils and it appeared that there were two Advisory Councils which had authority.

Minister Tulloch said he felt that the Prime Minister's Tourism Council played a special important role.

Mrs. Francis said it was necessary to distinguish the roles of the two Councils for the benefit of the industry.

The Prime Minister said that the Prime Minister's Tourism Council which had Terms of Reference consistent with the McIntyre Report would not be transformed into the Industry Advisory Council, which should be established.

He directed that JAMPRO should publish a progress report on tourism, as it related to the National Industrial Policy.

DC4/97

The Cabinet Secretary pointed out that there were solid achievements as indicated in the report of the Technical Secretariat, in terms of Foreign Exchange earnings and employment.

Professor Harris said there was a sense of enthusiasm about the Policy, as also ignorance, which the publication of actual achievements would address. The last report showed achievements which had been updated, he said.

The Prime Minister made enquiries about the application of G.P.D. Communications Jamaica Limited.

Minister Robertson reported that a meeting had been held involving his Ministry, JAMPRO, and a representative of the Ministry of Public Utilities and Transport. He said conclusion had been reached to grant the licences and the Ministry of Transport was to proceed with the matter.

The Prime Minister said he had sent several letters and, as recently as Monday, July 7, Minister Pickersgill was given a verbal reminder. He mentioned that there was information that the promoters were looking at alternatives and if no decision were taken soon, they would go elsewhere. He said that too much time was being taken to make decisions.

The Prime Minister said the project had consequences for the Ministry of Education and he expected that by the time of his return to the island from Los Angeles, there would be information before him or the Cabinet as to how the matter would proceed. He said Terms and Conditions had to be put forward or the application turned down.

**National Industrial Policy
(Review and Assessment of**

Performance in the First Year) - Submission DC 29/OPM(DC TS)15/97

Professor Harris said the report was an update of the previous one and he considered it very useful. It would be necessary, he said, to determine if there were matters reflected in the report that might not be appropriate for public disclosure, at the present time, and further, if there were any areas where adverse comments might arise, opportunity should be afforded for response.

He felt that the bulk of the report should be made available for advice on what had to be done and the laying of a Ministry Paper in the House was suggested as a way of making it available to the sectors.

DC4/97

Professor Harris mentioned that the Cabinet Secretary had provided him with details on other aspects which could be made available before finalisation.

Permanent Secretary Constantine pointed out that there were paragraphs which were extremely informative that would need highlighting.

The Prime Minister directed that the Cabinet Secretary, Professor Harris, Permanent Secretary, OPM, Dr. Wesley Hughes and Mrs. Francis should ensure that the matter was finalised. The report could then be laid on the table of House by announcement followed by a suitable Public Relations programme related to it.

Citrus Tresteza Virus (CTV) in Jamaica - Submission DC30/MAM3/97

In the absence of the Minister of Agriculture and Mining, this item was postponed.

Proposal on the reservation of lands for future port development - Submission DC28/MPUT 1/97

The Prime Minister mentioned that the matter had been submitted to Cabinet, and he directed that it should be put before the Development Council, after the necessary consultation with the agencies involved. In particular, he said, it involved Planning, Environment and Housing, Land Use (OPM), UDC and Industry.

He said that on the face of it, the lands would have to be considered for port development, but there were other purposes for which the lands may also have to be considered. Allotment, therefore, could not be on a "first come, first served" basis, he said, and therefore it was imperative for the inter-agency consultations to take place.

The Prime Minister therefore directed that the Minister of Public Utilities and Transport should convene a meeting with representatives of the Office of the Prime Minister, Ministries of Environment and Housing, Industry and National Security and Justice, U.D.C. and NRCA.

(The Financial Secretary and Dr. Lawrence re-entered the meeting.)

Minister Tulloch mentioned that other countries, like Mexico, had been manipulating head tax charges on cruise ship operations to attract ships. In Mexico, he said, all ports were being privatised and, as a result, a ship was lost to Mexico this year because they had reduced head tax to 87 cents.

DC4/97

He said that what Barbados had done was to give over the determination of head tax to the Port Authority.

In the case of Jamaica, the Minister said he was not against charging a head tax, but that there should be some discretionary power with regard to varying the amount as circumstances warranted.

Minister Davies said he wished to have a comprehensive discussion about tourism and cruise ship earnings. In correspondence received from Minister Tulloch, he said, while the matter of head tax was mentioned, the most common complaint was harassment.

Minister Davies said he had always maintained that there needed to be a redistribution of resources for the tourist industry. Some of the advertising budget, in particular, needed to be redirected into other areas, and efforts made to take those harassing tourists off the streets", he said.

Mention was made of the resurgence of squatting in the Ocho Rios area, despite the presence of environment wardens.

Minister Tulloch pointed out that the biggest problem was enforcement.

Governor Latibeaudierre thought that funds allocated to tourism were badly mis-allocated, at this time. He felt that great damage was being done to advertising Jamaica, because it was a very bad product; areas such as Ocho Rios and Montego Bay looked bad, he said, and people had been commenting on it.

**NIBJ Investment Projects
and Debt Financing**

- Submission DC 26/OPM (NIBJ) 14/97

The information contained in the Submission was noted.

**Chemical Lime Company
of Jamaica Ltd.**

- Submission DC 27/MAM 2/97

The information contained in the Submission was noted, at this stage.

Any other Business

Minister Robertson reported that efforts had been made to bring together the relevant parties concerned with the Port Royal Project, but without success and the Enterprise Team had become exceedingly frustrated because of inertia. It would be necessary, he said, to submit the matter to the Council as a substantive item.

The next meeting of the Development Council was scheduled for WEDNESDAY, SEPTEMBER 10, at 10.00 A.M.

The meeting adjourned at 11.40 a.m.

**DEVELOPMENT COUNCIL RETREAT
SEPTEMBER 12 - 13, 1997**

“GROWTH WITH STABILITY”

AGENDA

Friday, September 12, 1997

10:00 -1:00

SESSION 1

Opening Remarks - Honourable Prime Minister

Review and Assessment of the National Industrial Policy with specific reference to the next phase - Prof. Harris, Technical Secretariat

Discussions

COFFEE BREAK

The Supporting Environment

1. Productivity - The Way Forward - Cabinet Secretary
Prof. Harris

2. Infrastructure

- Jamaica Railway Corporation
- Water - Status of Phase II Study
Status of Water Projects
 - ✓ Ocho Rios
 - ✓ Oracabessa
 - ✓ Port Maria
 - ✓ Port Royal

End of session

3:00 - 6:00

SESSION 2

Funding the Development Process

1. Funding the Public Sector Financial Institutions - MOF/BOJ
2. Funding the Development Process:
 - NIBJ
 - ACB
 - NDB
 - EXIM
3. Bauxite - Financing for CAP

Promoting Investments

1. Investment Packaging - Status Report - MIIC/JAMPRO
2. Investment & Trade Promotion - MIIC/JAMPRO

Saturday, September 13, 1997

9:00 - 11:30

SESSION 3

Sectoral Review

- | | | | | |
|-----|-----------------------------|---|----|--|
| I. | Tourism | - | a. | Report on Hotel Projects
- Hedonism II, Runaway Bay,
✓ - Swept Away, Trelawny,
- Ritz Carlton, Montego Bay,
- Beaches, White House
- Marriot, Drax Hall
- Braco Village & Braco Pebbles |
| | | | b. | Report on Port Royal |
| ii | Manufacturing
& Services | | | The sector in transition.
Status of the Garment Sub-Sector |
| iii | Agriculture | | | Status of the sector with
particular reference to non-
traditional agriculture

The Sugar Industry from the
perspective of the manufacturer.

The Sugar Industry from the
perspective of the farmer. |
| iii | Telecommunications | | | Policy Update against
background of projects such as
Wireless Telecommunications
and Spectrum Management
MPUT. |

DC 49/MPWT 3/97

REPORT ON PORT ROYAL WATER SUPPLY

INTRODUCTION

The town of Port Royal is supplied with water from two (2) sub-systems, namely the Rio Cobre and Yallahs Water Supply Schemes. The water is then pumped from the Glenmore Road Booster Station to reinforced concrete tanks above Harbour View. Water flows by gravity through a 16" dia transmission pipeline to the airport roundabout where some water goes to the airport and the rest flows through a 7" dia pipeline to Port Royal. At Port Royal the water is collected in two (2) 150,000 gallon ground level storage tanks from which it is pumped into the Port Royal distribution system.

BACKGROUND

The existing 7" dia cast iron pipeline is badly corroded and needs replacement. The Booster station needs to be upgraded and the distribution system needs rehabilitation as the existing system has numerous leaks. There are plans for a major tourism project at Port Royal which will place a greatly increased demand on a system which is unreliable and cannot now supply the current demand.

PROPOSED REHABILITATION PROJECT

(A)	Supply and lay 22,500ft of 8" dia D.I. pipeline	-	24.0M
(B)	Construct Booster Station	-	3.0M
(C)	Upgrade distribution system	-	6.7M
(D)	Engineering	-	2.0M
TOTAL		-	35.7M

STATUS REPORT ON ORACABESSA WATER SUPPLY IMPROVEMENT PROJECT

Oracabessa Water Supply
(Ocho Rios/Port Maria Water Supply)

The Ocho Rios/Port Maria water supply project is designed to provide a water supply system to adequately serve the areas east of Ocho Rios extending to Port Maria and environs. The project will include the installation of some 20,000ft of 16" diameter transmission pipeline to convey water from the Bogue Treatment Plant to Rio Nuevo where a pump station will be constructed to boost supplies to the Oracabessa and Port Maria area.

Status

Approximately 13,000 ft of pipeline have been laid from White River Bridge to the vicinity of Balmoral. Another 7,000 ft (1.7 miles) are to be installed to make the connection to the proposed pumping station at Rio Nuevo.

Budgetary allocation for 1997/98 fiscal year is \$5.0M.

Contract C1 for Pipeline installation was tendered in February 1997 and HSA Ltd selected by the National Water Commission for the installation of 1328 metres of 400mm ductile iron pipes. Tender sum was \$4,454,780.00.

This contract has been approved by both the Government Contracts Committee and the Honourable Minister of Public Utilities. The works on this contract will commence shortly. This contract will take the pipelaying works from Balmoral to Rio Nuevo.

TO BE DONE

- (1) The design and construction of 1.5 Mgd pumping station at Rio Nuevo, including land acquisition for same.
- (2) Connection to existing 12" line from Rio Nuevo to Oracabessa.

NEGRIL JAMAICA DEVELOPMENT PROJECT
LUCEA - NEGRIL WATER SUPPLY PROJECT
WATER DISTRIBUTION WORKS
CONTRACT NO. JM-P5/NWC 9402

PROGRESS REPORT TO END OF AUGUST 1997

Contract start date	27 th November 1996
Contract completion	26 th March 1998
Contract sum - local currency	J\$160,926,132.20
Foreign currency	US\$10,035,495.00
Programmed completion to end of August	68%
Progress achieved to end of August	42%
Contract period elapsed to end of August	57%

SUMMARY

The Contractor continues to make reasonable progress on pipelaying. To date some 9½ kilometres of 450mm diameter pipeline has been laid, and 2½ kilometres of 250mm diameter pipeline. This represents nearly one half of the total pipelines. Trenching activities in the rock area have progressed steadily.

Work on the two storage reservoirs at Redground and Westland Mountain is also in progress.

PIPELAYING

The pipelaying rate on site continues to be good and, although this remains about 7 weeks behind programme, it is expected that the Contractor will catch up some of the lost time through the remainder of the Contract period. However, concern has been expressed at the delay on construction of the new Treatment Works at Logwood which is due to feed into the new distribution network.

TRENCHWORK IN ROCKS

Of the 5 kilometres required to be trenched, 3½ kilometres have been completed to date. This activity is 4 weeks behind programme and is on the critical path. The trenching productivity has slightly decreased due to harder rock being encountered. Since some of the pipeline routes have more rock areas than originally estimated, completing trench excavation within programme may only be achieved by mobilising more plant.

STORAGE RESERVOIRS

- | | |
|-------------------|--|
| Redground | - The concrete base of the tank has been cast. |
| Westland Mountain | - Work on the reinforcement and shuttering for the tank wall is in progress. |

MECHANICAL & ELECTRICAL WORKS

Procurement of M&E equipment is on programme. The surge vessel is already on site, and the high lift pumps for Logwood WTW and Green Island Booster Station are due to arrive in September 1997. Since there is a delay in construction (by others) of the high lift pump sump, M&E installation will not meet the programme. Further delays to M&E work is being caused by the failure to hand over the site of the Green Island Booster Station.

PROGRESS VERSUS PROGRAMME

The Contractor remains 4 to 7 weeks behind programme for the main activities on the critical path, however most of this time is due to delays beyond the Contractor's control. Further delays were experienced this month due to civil commotion at Logwood, and earlier delays in August due to labour unrest were only resolved at the beginning of this month.

ESTIMATED DEMAND AND PRESENT PRODUCTION

The projected estimated demand for the year 2000 is 0.192 MGD and by the year 2010 this would increase to 0.239 MGD.

The present output from the Port Royal Booster Station is 0.072 MGD.

LONG TERM PROPOSAL

The need to provide additional source capacity for the system will have to be satisfied. The solution proposed sometime ago is to construct a 2 MGD treatment plant at a high point in Harbour View. Water would be taken from the Yallahs Pipeline. The treated water would then flow by gravity into Harbour View and out to Port Royal. The cost of this treatment plant is estimated at J\$144M.

THE WAY FORWARD

The National Water Commission has invited tenders for consulting services for the Port Royal water system upgrade. Tenders were returned on 1997 August 29. Four tenders were received and they are now being evaluated. The allocation of \$2.8M in the current Budget, is to cover consultancy services.

On 1997 August 15, the Minister of Industry, Investment and Commerce met with Minister of Public Utilities and Transport, along with officials of the National Water Commission and officials connected with the Port Royal Heritage Tourism Project. At this meeting, the National Water Commission was mandated to meet with Mr Robert Stephens, to work out the details and course of action for the project. This meeting will take place on 1997 September 08.

It is expected that all preliminary and design works will be completed in this financial year, and funding will be secured in the 1998/99 Budget to execute the proposed rehabilitation project.

STATUS REPORT ON ORACABESSA WATER SUPPLY IMPROVEMENT PROJECT

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(Ocho Rios/Port Maria Water Supply)

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TO BE DONE

- (1) The design and construction of 1.5 Mgd pumping station at Rio Nuevo, including land acquisition for same.
- (2) Connection to existing 12" line from Rio Nuevo to Oracabessa.

RHPM,

15/2/97

See attached. The MPWT and its water Agencies have signed-off on the Phase I study which was done by NIBJ (Ralph, etc) under the Public Sector Modernization Programme. Phase II of the study now needs to commence. The Water Policy document (including Social Water) is informed by the Phase I study.

Carlton will be seeking Cabinet sign-off so that Phase II can proceed.

Vic

2

WATER & SEWERAGE SECTOR DEVELOPMENT AND PRIVATIZATION STRATEGY STUDY.

Findings and Recommendations of Phase 1 Report.

Introduction

This study examined the critical areas of operation of the main agencies involved in regulation, development and operational management of the sector and made appropriate recommendations aimed at promoting the following objectives of Government.

- Efficient and reliable supply of water at least economic cost.
- Attract local and foreign private capital and broaden ownership.
- Environmentally acceptable operation of the Water and Sewage Sectors.

Regulatory Framework

The Water Resources Authority (WRA) is the responsible agency for developing the master plans for water resource utilization, regulating its allocation and use, conducting basin studies and providing leadership in respect of Water Resource Policy, Planning and Evaluation.

The present regulatory regime is somewhat fragmented. There is a need to look at overlapping functions under the WRA and Office of Utilities Regulation (OUR) Acts, to consider re-allocation and consolidation of duties. Relevant amendments will have to be made to the OUR Act to enable regulation of the economics of water services delivery.

Development and Operational Issues

Planning

Improved coordination between the resource agency (WRA) and the user agencies (NWC, NIC) in the planning of projects needs to be put in place as a matter of urgency. If a marked improvement in the coordination of planning is to be effected, the WRA will have to stridently discharge the responsibilities of its new role.

It is necessary to begin to shift the focus from capital projects for the development of new water sources to improving efficiencies in respect of water presently being supplied.

Investment Needs

Total investment needs required to meet 2015 demands, for both construction of new schemes and renovation of existing works, are estimated at US\$ 2185 Million. This consists of US\$ 1323 Million for Non Agricultural Water, US\$ 261 Million for Agricultural Water and US\$ 601 Million for Sewerage improvements.

Revenue Issues

There is need for a clear policy decision on whether to structure tariffs, for agricultural and non-agricultural water and sewerage services provided, based on recovery of all capital and operating costs associated with their efficient supply (including a rate of return).

Water is essential to life and must therefore be available to all citizens in sufficient quantity and quality to sustain life. It is also a catalyst to industrial and agricultural development. The cost recovery mechanism therefore, having regard to special circumstances identified and agreed ahead of time with Government, needs to encompass: Tariff, User fees, Millage, and Special Government subvention.

Unless the entities providing service are financially viable they will be unable on their own to attract private capital for improvement and expansion of their delivery capability.

Privatization Considerations

Having regard to the peculiarities of the Jamaica situation, the structure of ownership of assets and existing entities as well as the responsibilities of Government and existing entities warrant serious consideration if the sector is to be organized for privatization at any level.

It is at this stage considered desirable that Government own all water and sewerage related infrastructure as well as all water resources and that the operating entities own such operational assets as will enable them to carry out their functions. Private participation in ownership of the operating entities may then be considered.

Government would need to retain responsibility for legal and regulatory matters and the operating entities responsibility for operations and securing the necessary financing for the sector.

WATER & SEWERAGE SECTOR DEVELOPMENT AND PRIVATISATION STRATEGY STUDY

Phase II Study

Phase II of the Water Sector Development and Privatisation Strategy Study will build on the Phase I Desk Review of the Water and Sewerage Sector by addressing the implications of the recommended institutional structures, including the regulatory institution (s) and the required tariff adjustment mechanism, etc. [It will also make recommendations for the methodology by which the WRA/UWA) will undertake the overall planning of the sector, and recommend a permanent system for the economic allocation of scarce water resources between competing uses.] In addition, it will also carry out a detailed review of the projects currently in the NWC's portfolio and make recommendations as to which of these projects would be suitable for operation as Build-Own-Operate and Transfer (BOOT), or Build-Own-Operate (BOO) schemes. Further, it will develop proposals for privatising the operational aspects of the National Water Commission (NWC) and the National Irrigation Commission (NIC)

Objectives

The objectives of the Phase II Study are to:

1. Prepare detailed recommendations and plans for the organisational restructuring of the sector as identified in the Phase I Report, including the specification of new commercial arrangements to facilitate private participation in the sector;
2. Provide a detailed outline of the required regulatory regime for the sector including the functions and role of the OUR and identification of required legislative changes;
3. Conduct environmental screening of sector facilities and estimate cost of critical mitigation measures;
4. Develop financial models and prepare 10 year financial projections for the WRA, NWC and NIC;
5. Identify the need for tariff adjustments and subsidies and recommend a financing strategy for the sector; and,
6. Develop proposals for privatising the operational aspects of the sector as identified in the Phase I Report.

The Phase III Study will address the implementation program, including any required legislative and regulatory changes, and prepare a detailed strategy, program, and implementation schedule for the sector reform and privatisation, including bidding documents for concessions and BOO or BOOT schemes.

It is proposed that the Phase II Study will be conducted by local consultants, making use of foreign consultants to carry out specific tasks, particularly those related to the regulatory aspects and development of the commercial arrangements for privatisation of the operational aspects of the sector.

SUMMARY TIMETABLE FOR PHASE II IMPLEMENTATION

Activity Milestone	Completion/Start
• GOJ acceptance of Phase I recommendations.	28 February, 1996
• Finalise and complete review of TOR's for Phase II in light of Phase I findings and recommendations.	28 March, 1996
• Begin procurement of Phase II Consultants.	31 March, 1996
• Selection and engagement of Phase II consultants.	11 July, 1996
• Commencement of Phase II tasks	14 July, 1997
• Delivery of Initial Phase II Report by Consultants	14 November, 1997
• Review of Initial Phase II Report completed	1 December, 1997
• Delivery of Draft Final Phase II Report.	24 December, 1997
• Review of Draft Final Phase II Report.	15 February, 1998
• Delivery of Phase II Final Report.	15 March, 1998
• GOJ Acceptance of Phase II recommendations.	31 March, 1998

A NOTE ON THE RECRUITEMENT OF CONSULTANTS

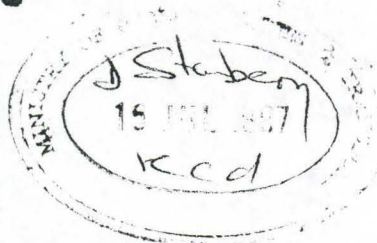
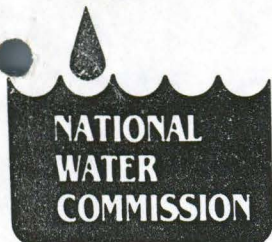
Government wishes to have the bulk of the Phase II work carried out by local consultants. It is, however, acknowledged that specific items of work of a specialised nature would have to be carried out by foreign consultant, if such expertise was not available in Jamaica. In any event, the overall co-ordination and management of the study would be undertaken by NIBJ.

The funding for the Phase I of the study was sought from the World Bank under the Public Sector Modernisation Programme (PSMP), and a conditional no-objection was obtained from the Bank for the use of local consultants on that phase of the study. The no-objection was conditioned on the Bank's approval of the consultant's contracts with NIBJ. The financing was agreed to retroactively, and although initial drafts of these contracts have been submitted to the Bank for comment, the final drafts are still to be submitted for final approval. The Phase I report was submitted to the Bank for approval in November, 1996, but so far, no comments have been returned.

Provision has been made for the funding for the Phase II of the project under the PSMP, and, as with Phase I, Government wishes to employ a team of local consultants, supplemented by services from abroad, to carry out the Phase II work, the process being managed by NIBJ. However, the initial informal reaction from the Bank to that approach, is that they would like to see competing proposals invited from a wider source of expertise, presumably from overseas.

Although paragraph 2.02 of the World Bank procurement guidelines (*Guidelines - Use of Consultants by World Bank Borrowers and by World Bank as Executing Agency - August, 1981*) allows borrowers to approach a single firm of its own choice to carry out consulting assignments, it goes on to state in paragraph 2.20 that " while the Bank generally recommends inviting proposals from a short list of firms, it does not object to the borrower's requesting a proposal from a single firm of its choice, provided that the Bank approves the firm invited and, subsequently, the contract" . The foregoing suggests that the whole issue of sole source procurement is one for negotiation, and that Government should be able to justify its desire to use the local consultants who carried out the Phase I assignment on the grounds that:

- they are qualified to undertake the assignment;
- they would be more familiar with the sector than any new overseas consultants to be brought on-board; and,
- their appointment would likely result in a significant cost saving.



Water is life
July 16, 1997

4 Marescaux Rd., Kingston 5, Jamaica, W.I. Telephone: 929-3540-4 Fax: 929-3642

Ministry of Public Utilities and Transport
36 Trafalgar Road
Kingston 10

Attention: Mr. Donovan Stanbury

Dear Sir

**RE: Capital Investment Programme Financial Year 1997/98
Quarterly Report - April to June 1997**

Please see Quarterly Reports for period April to June 1997 for the following Projects:

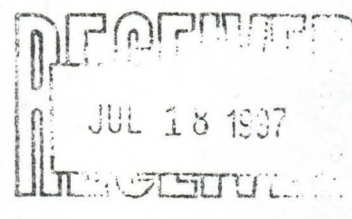
Pell River Water Supply Scheme	Greenwich Town Sewerage treatment Plant
Norwood Offsite Infrastructure Water Supply	Ocho Rios Sewerage
Kingston Pumping Station Rehabilitation	Ocho Rios Water Supply
Moneague Water Supply	Hope Bay St. Margarets Bay W/S Scheme
Newell/Newcombe Valley Water Supply	Sewer Connections and Mains Replacements in Corporate Area
CDB Catchment Tank Rehab. Programme	Succaba Pen/Old Harbour Water Supply
North Coast Development Project - Montego-Bay Sewerage	Savanna-la-mar Roaring River Water Supply
Bulstrode Water Supply Extension	Ettingdon/Parnasus Water Supply
Dornoch Water Supply Scheme	Negril Sewerage

Yours truly

for: 
Walter Bygrave
Project Manager

Attachment

cc President
Project Engineers
Project Accountant





Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

Project	Kingston Pumping Station Rehabilitation (sewerage)
Description of Project	This was to purchase material and equipment and provide for civil and electro/ mechanical works to be undertaken. The work of overhauling Darling Street pumping station had to be in two stages.
Location	Kingston Metropolitan Area
Contractor	El-Mech Engineering Limited
Date Considered by Cabinet	
Date Approved by Cabinet	
SUB'NO.	6000A - 1768
Start Date (Projected / Actual)	Civil Works (26/2/96); Electro/Mech. Works (16/9/96)
Completion Date (Projected / Actual)	Civil Works (31/5/96); Electro/Mech Works (Practical Completion)
Source of Funding	Government of Jamaica
Estimated Cost	\$8M
Current Financial Year	
<i>Budget - Requested</i>	
<i>Budget - Approved</i>	\$0.00M
<i>Amount Received to Date</i>	\$0.00M
<i>Expenditure to Date</i>	\$0.0M
Previous Year(s) Accounts	
<i>Amount Received</i>	\$8.258M
<i>Expenditure</i>	\$6.623M
Total Received	\$8.258M
Total Expenditure	\$6.623M
Work in Progress / Achievement	Electro/Mechanical works presently being commissioned.
Remarks	Minor repairs needed on the pump house building including painting and lighting in the sub-terranean area.



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Moneague Water Supply
<i>Description of Project</i>	Aimed to address the existing water supply short-fall and to extend supply to Roadside, Grierfield and Phoenix Park under Phase 1 and to supplement Walkers Wood Supply System under Phase 2.
<i>Location</i>	St. Ann
<i>Contractor</i>	Hood Daniel Well Co.
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1799 (Other Water Supply)
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$48M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$30M
<i>Budget - Approved</i>	\$9.0M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$0.448M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$8.006M
<i>Expenditure</i>	\$4.120M
<i>Total Received</i>	\$8.006M
<i>Total Expenditure</i>	\$4.568M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	Replacement well has been drilled, tested and sterilized with a production capacity of 600 gpm. Engineering Survey of the project has been completed. Detailed design is being prepared by the Consultant and will allow for the purchase of pumps, switchgear and pipe installation. Tenders were invited for the laying of pipeline.



Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Newell / Newcombe Valley Water Supply
<i>Description of Project</i>	To improve the water source and system of Newell / Newcombe Valley and environs.
<i>Location</i>	St. Elizabeth
<i>Contractor</i>	Donald Lewis Construction
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1799 (Other Water Supply)
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$27M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$23.100M
<i>Budget - Approved</i>	\$13.00M
<i>Amount Received to Date</i>	\$0M
<i>Expenditure to Date</i>	\$1.112M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$19.301M
<i>Expenditure</i>	\$13.678M
<i>Total Received</i>	\$19.301M
<i>Total Expenditure</i>	\$15.267M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	The installation of 11,000 ft. of 8" Transmission pipeline 100% complete. Contract for the construction of a 100,000 gal. reinforced concrete reservoir and access road is in progress. Contract S1 for the supply of pipes and fittings for installation contracts P2 and P3 has been delivered to Stores. Contract P2 for the installation of distribution pipeline awaits approval of tender.

Capital Investment Programme - Financial Year 1997/98

April to June 1997 Progress Report

<i>Project</i>	NWC/CDB Catchment Tank Rehabilitation Programme
<i>Description of Project</i>	To ensure a potable water supply in rural Jamaica by rehabilitating and/or upgrading over 293 rain water catchment tanks.
<i>Location</i>	Islandwide
<i>Contractor</i>	
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000B - 9112
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	CDB
<i>Estimated Cost</i>	US\$4M.
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$33.750M
<i>Budget - Approved</i>	\$0.0M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$4.187M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$92.588M
<i>Expenditure</i>	\$78.572M
<i>Total Received</i>	\$92.588M
<i>Total Expenditure</i>	\$82.759M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	284 tanks have been identified and targeted for repairs of the 293 tanks under the programme. To date 175 have been started, 150 completed and 132 handed over to the various Parish Councils for operation and maintenance.

Capital Investment Programme - Financial Year 1997/98

April to June 1997 Progress Report

<i>Project</i>	North Coast Development Project - Montego Bay Sewerage
<i>Description of Project</i>	To improve and extend the treatment and collection capabilities of the Montego Bay Sewerage system with the construction of sewage treatment facility and the laying of sewer pipelines.
<i>Location</i>	Montego Bay, St. James
<i>Contractor</i>	Rizzani De Eccher SpA Construzioni Cemento SpA
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000B - 9031
<i>Start Date (Projected / Actual)</i>	January 5, 1996
<i>Completion Date (Projected / Actual)</i>	January 5, 1998
<i>Source of Funding</i>	Government of Jamaica / OECF
<i>Estimated Cost</i>	US\$21M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$428.20M
<i>Budget - Approved</i>	\$0.0M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$3.492M (GOJ)
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$151.620M
<i>Expenditure</i>	\$100.975M
<i>Total Received</i>	\$151.630M
<i>Total Expenditure</i>	\$104.467 * (GOJ)
<i>Work in Progress / Achievement</i>	Project 25% completed, Pipeline installation 46% completed Pumping stations 16% completed, Ponds 6% completed
<i>Remarks</i>	*In addition to this amount \$302.952M was paid to date by OECF.



Water is life

Capital Investment Programme - Financial Year 1997/98

April to June 1997 Progress Report

<i>Project</i>	Bulstrode Water Supply Extension
<i>Description of Project</i>	Upgrading of water supply distribution from Bulstrode to New Head/Turo Head - Barham
<i>Location</i>	Westmoreland
<i>Contractor</i>	T.A. Morgan Const. Co. Ltd./Bacchus Engineering Works Ltd.
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$24M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$18.00M
<i>Budget - Approved</i>	\$0.0M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$3.13M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	
<i>Expenditure</i>	
<i>Total Received</i>	
<i>Total Expenditure</i>	
<i>Work in Progress / Achievement</i>	Contract P1 is now 65% completed in approximately 1½ month of a four month contract period. Contract P2 is now 80% completed in less than 1 month of a 4 month contract.
<i>Remarks</i>	This project involves the installation of approx. 12.5 km of 10", 8", 6" and 4" dia. PVC pipeline to be installed by executing four contracts, namely Contracts P1, P2, P3 & P4. Contracts P1 & P2 have been signed and have started with internally generated funds. Contract P3 & P4 are with the Government Contracts Committee, "NWC Internally Generated" awaiting their concurrence.



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Dornoch Water Supply Scheme
<i>Description of Project</i>	To upgrade the water supply to the Dornoch service area comprising of Baron Hill, Brampton, Arcadia and Samuels Prospect.
<i>Location</i>	Trelawny
<i>Contractor</i>	1. Arche Construction & Equipment 2. Seivwright Building Supplies
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1799 (Other Water Supply)
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$26.9M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$11.250M
<i>Budget - Approved</i>	\$8.0M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$1.014M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$8.810M
<i>Expenditure</i>	\$3.220M
<i>Total Received</i>	\$8.810M
<i>Total Expenditure</i>	\$4.235M
<i>Work in Progress / Achievement</i>	
<i>Remarks :</i>	Contracts for the repairs to Access Bridge and Attendants Building at Dornoch Treatment plant were signed and work completed. Contract Document for the repairs at Baron Hill Tank was signed and work is progressing.



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Greenwich Town Sewerage Treatment Plant
<i>Description of Project</i>	To rehabilitate the existing works to handle present flows.
<i>Location</i>	Kingston Metropolitan area
<i>Contractor</i>	Equipment Purchase } Champion Industrial Equip. & Supplies Ltd. } Bi-water International Ltd.
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1749
<i>Start Date (Projected / Actual)</i>	Installation Works (June 1997) Electrical & Civil Works (June 1997)
<i>Completion Date (Projected / Actual)</i>	August 1997
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$16.3M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$8M
<i>Budget - Approved</i>	\$6.75M
<i>Amount Received to Date</i>	\$0.0M
<i>Expenditure to Date</i>	\$0.0M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$9.451M
<i>Expenditure</i>	\$5.237M
<i>Total Received</i>	\$9.451M
<i>Total Expenditure</i>	\$5.237M
<i>Work in Progress / Achievement</i>	Purchasing of equipment in progress.
<i>Remarks</i>	Contractor for Civil & Electrical works to be named. Work to commence on arrival of equipment . Equipment due July 1997.

Capital Investment Programme - Financial Year 1997/98

April to June 1997 Progress Report

<i>Project</i>	Ocho Rios Sewerage
<i>Description of Project</i>	To provide improved facilities for the collection, treatment and disposal of sewage for the Ocho Rios area.
<i>Location</i>	St. Ann
<i>Contractor</i>	Cubiertas y Fomento JV
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000B - 9116
<i>Start Date (Projected / Actual)</i>	September 19, 1994
<i>Completion Date (Projected / Actual)</i>	November 1997
<i>Source of Funding</i>	European Union / Government of Jamaica
<i>Estimated Cost</i>	\$605M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$106.8M
<i>Budget - Approved</i>	\$80.0M
<i>Amount Received to Date</i>	\$5.00M
<i>Expenditure to Date</i>	\$0.725(GOJ)
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$38.333M
<i>Expenditure</i>	\$14.378M
<i>Total Received</i>	\$43.332M
<i>Total Expenditure</i>	\$15.103M * (GOJ)
<i>Work in Progress / Achievement</i>	85% Completed
	Work in Progress: Construction of Sewers Construction of Pumping Stations Construction of Sewage Treatment Plant



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Ocho Rios Water Supply
<i>Description of Project</i>	This is to extend the water supply from Ocho Rios in St. Ann to Port Maria in St. Mary in phases.
<i>Location</i>	St. Ann / St. Mary
<i>Contractor</i>	(tender under review)
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1743
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$115M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$77.200M
<i>Budget - Approved</i>	\$5M
<i>Amount Received to Date</i>	\$0
<i>Expenditure to Date</i>	\$0
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$17.402M
<i>Expenditure</i>	\$24.996M
<i>Total Received</i>	\$17.402M
<i>Total Expenditure</i>	\$24.996M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	Approved tender for the continued laying of 1,328 m of 400 mm D.I. Pipeline from Balmoral towards Rio Nuevo was sent to the the Government Contracts Committee. The Committee requested additional information and this was sent. We still await a decision from the Government Contracts Committee.



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Hope Bay St. Margaret's Bay Water Supply Scheme
<i>Description of Project</i>	Upgrading of water supply system
<i>Location</i>	Portland
<i>Contractor</i>	
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1739
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$22.8M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$15.30M
<i>Budget - Approved</i>	\$3M
<i>Amount Received to Date</i>	\$0
<i>Expenditure to Date</i>	\$0
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$11.643M
<i>Expenditure</i>	\$7.665M
<i>Total Received</i>	\$11.643M
<i>Total Expenditure</i>	\$7.665M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	8" raw water pipeline to settling tank completed. Contractor's list approved for the replacement of sand in filter and filter repair awaited. Purchase of P.V.C. pipe and fitting pending. Review of objectives of project is being done by officers now assigned to implement works.

Capital Investment Programme - Financial Year 1997/98

April to June 1997 Progress Report

Project	Sewer Connections and Mains Replacement in the Corporate Area
Description of Project	This is for the provision of sewer connections and the patching of mains in the corporate area.
Location	
Contractor	
Date Considered by Cabinet	
Date Approved by Cabinet	
SUB'NO.	6000A - 1750
Start Date (Projected / Actual)	
Completion Date (Projected / Actual)	
Source of Funding	Government of Jamaica
Estimated Cost	\$ M
Current Financial Year	
Budget - Requested	\$10.000M
Budget - Approved	\$10.000M
Amount Received to Date	\$0.0M
Expenditure to Date	\$0.0M
Previous Year(s) Accounts	
Amount Received	\$4.200M
Expenditure	\$2.816M
Total Received	\$4.200M
Total Expenditure	\$2.816M
Work in Progress / Achievement	
Remarks	Design of Sewerage Main from Liguenea to Kings House Gate is now in progress.



Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Succaba Pen / Old Harbour Water Supply
<i>Description of Project</i>	To upgrade the water supply of Old Harbour and its environs particularly the Housing Scheme of Succaba Pen.
<i>Location</i>	St. Catherine
<i>Contractor</i>	To be tendered
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1752
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$39.5M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$24.750M
<i>Budget - Approved</i>	\$15.73M
<i>Amount Received to Date</i>	\$0
<i>Expenditure to Date</i>	\$0M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$14.475M
<i>Expenditure</i>	\$15.399M
<i>Total Received</i>	\$14.475M
<i>Total Expenditure</i>	\$15.399M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	Phase 1 of the project which included the drilling and equipping of deep well pump set and the installation of transmission and distribution pipeline, completed. Structural design of proposed 1M gallon reservoir has been submitted by Hue Lyew Chin Eng. Ltd. Detailed site layout and associated access road is now available and the acquisition of land has been initiated. Tender list of potential contractors to construct reservoir was submitted for approval but will have to be reviewed.



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Savanna-La-Mar Roaring River Water Supply
<i>Description of Project</i>	Its intended to effect urgent improvement to the Roaring River Water Supply following a typhoid outbreak in the area.
<i>Location</i>	Westmoreland
<i>Contractor</i>	Edwards Construction Co. Ltd.
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1754
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica / UNDP
<i>Estimated Cost</i>	\$128.6M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$34.740M
<i>Budget - Approved</i>	\$20.74M
<i>Amount Received to Date</i>	\$3.0M
<i>Expenditure to Date</i>	\$18.785M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$62.489M
<i>Expenditure</i>	\$57.858M
<i>Total Received</i>	\$69.923M
<i>Total Expenditure</i>	\$76.645M
<i>Work in Progress / Achievement</i>	
<i>Remarks</i>	Slow Sand Filter Plant including control building filter modules, chlorination facility and intake works are completed. Water quality checks are being carried out by the NWC's Western Lab. to monitor the performance of the filters and to ensure the production of potable water. Contract for the supply of 20" D.I. transmission pipeline was signed and the order was placed. Tender documents for the laying of pipes are being prepared.



Capital Investment Programme - Financial Year 1997/98
January to March 1997 Progress Report

<i>Project</i>	Ettingdon / Parnasus Water Supply Scheme
<i>Description of Project</i>	To improve water supply to Ettingdon and its environs
<i>Location</i>	Trelawny
<i>Contractor</i>	Capsicum Ltd./Pipelayers
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000A - 1755
<i>Start Date (Projected / Actual)</i>	
<i>Completion Date (Projected / Actual)</i>	
<i>Source of Funding</i>	Government of Jamaica
<i>Estimated Cost</i>	\$23.3M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$4.30MM
<i>Budget - Approved</i>	\$2.7M
<i>Amount Received to Date</i>	\$0
<i>Expenditure to Date</i>	\$0.331M
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$15.222M
<i>Expenditure</i>	\$12.479M
<i>Total Received</i>	\$15.222M
<i>Total Expenditure</i>	\$12.810M
<i>Work in Progress / Achievement</i>	Contract for the laying of 7,000 ft. of 8" dia. transmission main along the parochial road to the main Duncans/Clarks Town Road is now complete. Surrounding areas are now getting an increased supply of 0.5 mgpd of potable water. Tender document for the installation of storage reservoir has been prepared.
<i>Remarks</i>	



Water is life

Capital Investment Programme - Financial Year 1997/98
April to June 1997 Progress Report

<i>Project</i>	Negril Sewerage
<i>Description of Project</i>	To provide improved facilities for the collection, treatment and disposal of sewage for the Negril area.
<i>Location</i>	Westmoreland / Hanover
<i>Contractor</i>	Cubiertas y Formento JV
<i>Date Considered by Cabinet</i>	
<i>Date Approved by Cabinet</i>	
<i>SUB'NO.</i>	6000B - 9118
<i>Start Date (Projected / Actual)</i>	September 19, 1997
<i>Completion Date (Projected / Actual)</i>	November 1997
<i>Source of Funding</i>	European Union / Government of Jamaica
<i>Estimated Cost</i>	\$790M
<i>Current Financial Year</i>	
<i>Budget - Requested</i>	\$21.400M
<i>Budget - Approved</i>	\$21.400M
<i>Amount Received to Date</i>	\$5.00M
<i>Expenditure to Date</i>	\$0.625M (GOJ)
<i>Previous Year(s) Accounts</i>	
<i>Amount Received</i>	\$44.100M
<i>Expenditure</i>	\$16.855M
<i>Total Received</i>	\$49.100M
<i>Total Expenditure</i>	\$17.480 * (GOJ)
<i>Work in Progress / Achievement</i>	86% complete
<i>Remarks</i>	* In addition to this amount \$568.854M was paid to date by E.U.

Works in Progress: Construction of sewers;
Construction of pumping stations;
Construction of sewage treatment works.

SUMMARY OF DROUGHT UPDATE

Since December 1996, the island has been receiving below average rainfall.

Parishes most affected have been shown to be Hanover and St. Mary.

The water systems most affected have been those which require regular rainfall to maintain their flow.

Streamflow and ground water levels have shown decline, but perennial rivers have not gone dry, nor has groundwater been considered depleted, since the declines are within the expected seasonal fluctuations.

Wells have shown no decline in yields, nor have they broken suction as a result of the drought.

Inflows into the Mona Dam from the Hope River have shown steady decline since the rains of early June and reached a low in mid August. Inflows from the Yallahs and Negro Rivers combined, were at a minimum in mid to late May, increased during the rains in the month of June, but were declining again by mid August.

DROUGHT SUMMARY

DEC 1996 TO JULY 1997

INTRODUCTION

Drought is viewed as a sustained and regionally extensive occurrence of below average natural water availability, either in the form of precipitation, river runoff or groundwater. Droughts may be classified as meteorological or hydrological.

The National Meteorological Service (NatMet) categorizes the *Meteorological Drought* as follows: Drought is defined as less than 60% (range 41-60) of normal rainfall over 8 consecutive weeks. Extreme drought as less than 40% (range 21-40) of the normal rainfall over 8 consecutive weeks. Severe drought is defined as less than 20% (range 0-20) of the normal rainfall over 8 consecutive weeks. The normal rainfall is the thirty year mean.

The *Hydrological Drought* is marked by a deficit in the runoff of rivers where discharge (flow) remains below a low threshold or the rivers dry up completely and remain dry for a very long time; and a significant natural depletion of aquifers (groundwater). The low threshold flow defined by the WRA is the 10-year return period 7-day minimum mean flow.

Since December 1996, below average rainfall has led to several parishes across the island experiencing meteorological drought conditions of varying degree with Hanover and St. Mary the most affected. The below average rainfall has affected surface water supply systems to the point where water rationing to conserve supplies and trucking of water to rural areas to meet the demand has been introduced. The systems most affected are those with surface water sources (springs and rivers) which rise on impermeable aquiclude rocks and require regular rainfall to maintain flow.

There have been declines in streamflow and groundwater levels, but perennial rivers have not gone dry nor has groundwater been depleted. The island is not experiencing a hydrologic drought at this time.

RAINFALL

Data supplied by the National Meteorological Service (NatMet) indicated the following:

April's Rainfall averaged only 29% of the normal (thirty year mean) for that month. The parishes with the lowest rainfall were Hanover and St. James with only 16% of the normal, St. Mary 19% and Portland 21%. No parish received in excess of 60% of the normal rainfall.

May's Rainfall was only 31% of the May normal. The lowest occurred in St. Thomas with 9% of the normal, Clarendon 15%, Portland 17%, St. Ann 18%, St. Catherine 19% and St. Mary 20%. Only one parish, St. Elizabeth, received more than 60% of the normal rainfall.

June's Rainfall was 75% of the normal for that month. Rain over June 4, 5, 6 and 7, improved conditions, especially in the easternmost eight parishes and Hanover, where over 60% of the normal was recorded. Five parishes, St. Catherine, St. Thomas, Clarendon, Kingston/St. Andrew, received rainfall in excess of 100% of the normal.

All the other parishes received less than 60% of the normal rainfall. Four parishes, Manchester, Trelawny, St. James and Westmoreland at the end of June had, for the third consecutive month, received less than 60% of the normal rainfall.

July's Rainfall; preliminary data shown in Map 1 indicates a worsening of the rainfall situation for the month.

GROUNDWATER

A review of groundwater data island wide indicates no depletion of groundwater. The declines that have occurred in the water table are within the range of expected seasonal fluctuations.

In all instances the declines in the water table are less than 2 metres and for several areas, especially western Jamaica, the decline is less than 1 metre. Wells have not shown declines in yields or broken suction as a result of the drought.

STREAM FLOW (December 1996 to July 1997)

Declines in streamflow were most acute in the eastern and central parishes of the island over the period April - May 1997.

Inflow into mona and hermitage systems

The Mona Reservoir and the Hermitage Dam are the two surface water storage systems that supply domestic water to the KMA. The main sources that yield water to the Mona System are the Hope River and the Negro/Yallahs Rivers via the Yallahs Pipeline. The main sources to the Hermitage System are the Ginger, Wagwater and Moresham Rivers.

Mona System

The Hope River on May 28, was yielding 18,000 m³/d (4 mgd). The rains of June 4, 5, 6 and 7, significantly increased flow to 3.72 M m³/d (819 mgd) - measured on 5 June. The table below summarizes the flow data of the Hope River for the period 06 June - 20 August.

Date	Flows		Remarks
	m ³ /d	mgd	
6 June	293,592	64.6	Since 9 June 100% of flow diverted to Mona System (Hope filter plant and Mona Reservoir.)
9 June	82,695	18.2	
10 June	68,505	15.0	
12 June	47,709	10.5	
19 June	34,546	7.6	
30 June	21,383	4.7	
11 July	23,781	5.2	
17 July	20,796	4.6	
31 July	18,570	4.1	
20 August	12,037	2.7	

The Yallahs pipeline transfers water from the Negro and Yallahs Rivers in St. Thomas to the Mona System-Reservoir and Treatment Plant. The inflows into the pipeline from both rivers are set out in the table below for the period April 24 to August 13, 1997.

Date	Flow m ³ /d		Total to pipeline
	Negro River	Yallahs River	
24 April	20,282	56,272	76,554
06 May	17,542	51,379	68,921
14 May	17,224	48,687	65,911
22 May	9,273	40,932	50,205
29 May	15,413	54,241	69,654
12 June	40,858	84,163	125,021
18 June	61,165	92,481	153,646
11 July	28,381	91,380	119,761
17 July	21,212	69,948	91,160
31 July	21,285	64,346	85,631
13 August	24,490	56,761	81,251

Hermitage System

The Ginger, Wagwater and Moresham Rivers contribute flow to the Hermitage Dam. The flows have, since the June rains which filled the dam, declined significantly to the point where on August 20, the total inflow was 7,975.8 m³/d or 1.76 mgd. The data is set out below.

DATE	SOURCE	FLOW	
		m ³ /d	mgd
August 20, 1997	Ginger River	122.3	26,943
	Wagwater River	6,410.0	1,411,813
	Moresham River	1,443.5	317,927
	TOTAL	7,975.8	1,756,683

*Table 6: Inflows into Hermitage Dam
August 20, 1997*

REPORT ON KMA SEWAGE AND REHABILITATION PROJECT

This Project was conceived against the background of the steady deterioration of the National Water Commission's water distribution and transmission system, as well as the deplorable state of sewage plants in the Kingston Metropolitan area. The scope of works include:

- (I) Updating of the water supply master plan for the KMA including the pressure zoning and control with support hydraulic modeling
- (ii) Production and consumer metering
- (iii) Leak detention programme
- (iv) Rehabilitation of water supply facilities with the introduction of standardized and energy efficient units
- (v) Rehabilitation of waste water facilities
- (vi) Provision of instrumentation of all major water production, transmission and distribution facilities with standardized measurement, power metering and telemetry devices to provide accurate information for system management and control.
- (vii) Training of staff to assume sustainability of each component
- (viii) Consumer data base

The consultancy firm, Montgomery Watson was engaged to do design work in 1995. The project was to be funded by the World Bank, to the tune of US\$20M, and the Government of Jamaica. The World Bank attached two conditionalities to their funding of the project viz:

- (I) Changes in the Management of the National Water Commission
- (ii) Formulation and promulgation of a water sector policy by the Government

It should be noted that the O.E.C.F. which will be funding the KMA Water Supply Project, designed to boost Kingston Water Supply by some 13.5 mgd, has indicated that its funding of the KMA Water Supply Project is conditional on the implementation of the KMA Sewage and Rehabilitation Project.

By letter dated 1997 March 07, the World Bank advised the Honourable Minister of Finance and Planning of its decision not to support the project, based on the non fulfillment of their conditions outlined above. Consequent on the World Bank's decision, other multilateral agencies have indicated their unwillingness to participate in the Project, citing the World Bank's decision.

Subsequent to the World Bank's decision, the National Water Commission has tabled a study done by Montgomery Watson, indicating that it could execute the Rehabilitation Project at a cheaper rate than the World Bank. In fact, the National Water Commission has indicated that it is currently carrying out aspects of the project from its own resources. Work has been limited to:

1. Reduction of Unaccounted for Water.
2. Master Plan
3. Water Facilities Rehabilitation

Under the Unaccounted for Water Reduction Programme, some 30,000 domestic meters have been installed in the KMA. In the initial pilot area, Hope Pastures, unaccounted for water has been reduced from 70% to under 40%. The programme has now moved to the second pilot area, Portmore.

Under the Master Plan, the computer modelling of KMA water system is about 80% complete. Design and specifications for rehabilitation of water facilities are essentially completed and awaiting funding for implementation. Contract for the repair of Mona Treatment Plant Building is ready for tendering. Expenditure to date amounts to US\$2.88M and J\$3.2M

The Planning Institute of Jamaica was instructed by the Honourable Minister of Finance at a meeting on 1997 July 14, to write to the O.E.C.F. seeking postponement of the loan to fund the KMA Water Supply Project.

At this meeting, it was recommended by the Planning Institute of Jamaica, that no independent review of the Montgomery Study was needed. Rather what was required is an independent verification of the rehabilitation currently being carried out by the National Water Commission in order to satisfy the O.E.C.F.

The Honourable Minister of Finance indicated that the major issue was not the technical issue of the cost at which National Water Commission can execute the project viz-a -viz the World Bank, but the issue of National Water Commission's management capability. This issue has not been addressed.

In the wake of the National Water Commission Reclassification exercise, which is stated to cost some \$679M, the ability of National Water Commission to finance the Rehabilitation Project has more. The Ministry of Finance has subsequently invited the World Bank to look at the possibility of revising its position as regards financing the project.

Mrs Marjorie Henriques, special advisor to the Honourable Minister of Finance, has been appointed to serve as an intermediary between the World Bank, the National Water Commission and the European Union, in an effort to reopen negotiations.

1. **PROJECT:** **MONTEGO BAY SEWERAGE AND
SEWAGE TREATMENT WORKS
CONTRACT NO. JM - P5/NWC 9401**
2. **PERIOD UNDER REVIEW:** To July 31, 1997
3. **FINANCING:** OECF/GOJ
Local Currency Component J\$171,950,829
Foreign Currency Component J\$13,666,193
4. **ENGINEER:** DHV International (UK) Ltd
Pole House, Ide
Exeter EX2 9RY
Devon UK
5. **CONTRACTOR:** Rizzani de Eccher S.p.A/Cantieri
Costruzioni Cementos S.p.A J.V.
Via Melegnano No. 109
33100 Udine
Italy
6. **OBJECTIVES:** To upgrade and expand the existing Montego Bay sewage collection system to cover wider areas and construct a new treatment plant to address the rapid environment degradation of the coastal waters in Montego Bay
7. **CONSTRAINTS AND PROBLEMS:**
 - Bulk earthworks at the pond site have not yet commenced, this activity is far behind on the planned schedule. Assurances were given by the Contractor that work will commence during the early part of September.

- The inability of the National Water Commission to access an easement at Mt. Alvernia to facilitate the construction of the inflow pipe to pumping station No.2.

8. **WORK STATUS:**

Excavation and pipelaying work -63% complete
River Diversions (A) Excavation 75% complete
(B) Gabions 34% complete
(C) Reno Matt 51% complete
Pumping Station No. 1 01% complete
Pumping Station No. 2 36% complete
Pumping Station No. 3 54% complete
W S Ponds Construction 10% complete
Overall Project Completion 34%

*Access to the P.S. was granted on July 7, 1997

9. **COMPLETION:**

Scheduled completion of Construction - January 1998

New completion date based on award of extension of time - APRIL 1998

1. **PROJECT:** **NEGRIL WASTEWATER TREATMENT PROJECT.**
2. **PERIOD UNDER REVIEW:** Period up to August 31, 1997
3. **FINANCING:** 7th European Development Fund under the Lome IV Convention
Works Contract Sum: J\$580M (as tendered)
Supervision Contract Sum: J\$30M (shared between Negril & Ocho Rios Projects)
4. **CONSULTANTS:** Witteveen+ Bos Consulting Engineers
5. **CONTRACTOR:** Cubiertas y Mzov/Fomento de Construcciones Contratas
6. **OBJECTIVES:** To upgrade and expand the existing sewage collection system to cover a wider area and construct a new sewage treatment plant to address the rapid degradation of the coastal waters in Negril
7. **CONSTRAINTS AND PROBLEMS:**

The consultants have recently advised that modifications to the system will be required to overcome surge problems with the system. Every effort is being made to complete modifications by the end of the year to facilitate the early commissioning of the scheme. In addition, the poor quality of works produced by the Contractor has resulted in extensive remedial works

8. WORK STATUS:

Overall Completion	92%
Sewage treatment works	98%
Pumping stations	87%
Testing of sewers	57%
Manhole remedial works	15%

9. COMPLETION:

The Contractor in his programme submitted on August 27th indicated a completion date of September 30th. National Water Commission has indicated to him that the programme is unrealistic and has instructed him to submit a revised programme by September 5th (he has confirmed that he will submit the programme by September 10, 1997) to include:

- a resources list which can substantiate the programme
- an accurate reflection of the progress and outstanding tasks at the time of submission

Unless there is considerable changes in the Contractor's rate of working, it unlikely that completion will be achieved before the end of the year.



CARIB ENGINEERING CORPORATION LTD.

2 nd Floor, Seabed Building, Corner: Duke & Port Royal Streets,
Kingston, Jamaica, W.I. Telephone: (809) 922-4453, Telefax: (809) 967-0190.

CEC:

July 16, 1997

Permanent Secretary
Ministry of Public
Utilities & Transport
36 Trafalgar Road
Kingston

ATTENTION: MISS P. SNOW

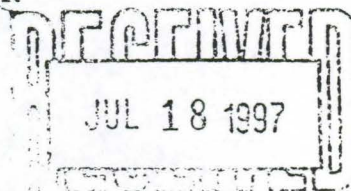
Dear Sir,

Attached are Progress Reports for
quarter ending 30th June, 1997.

Yours sincerely,

ASTON DAVIS
FOR MANAGING DIRECTOR

ATTD.



Directors: E. A. Williams (Chairman), Horace Davidson (Managing Director), Dr. Conrad Douglas, Carl Dowdling,
Lorna Simmonds.

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	Lluidas Vale water Supply Scheme To supply a population of 4,000
CONTRACTOR	Bacchus Engineering Works Limited (Construction) Multi Tec Engineering Services (Pumps)
DATE CONSIDERED BY CABINET	31st July, 1995
DATE APPROVED BY CABINET	31st July, 1995
SUBMISSION NO.	29/95
START DATE OF PROJECT	-
ESTIMATED COMPLETION OF PROJECT	-
SOURCE OF FINANCING	Government of Jamaica
ESTIMATED COST	\$56.0 million
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$4.870 million
BUDGET APPROVED	\$4.870 million
AMOUNT RECEIVED TO DATE	NIL

Aluidas Vale Water Supply Scheme

EXPENDITURE TO DATE	\$11.050 million
PREVIOUS YEARS ACCOUNT	—
AMOUNT RECEIVED	\$18.400 million
EXPENDITURE	\$25.938 million
TOTAL RECEIVED	—
TOTAL EXPENDITURE	\$36.988 million
WORK IN PROGRESS/ACHIEVEMENT	95% complete

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	South-east Westmoreland/Darliston Water Supply Scheme To supply potable water to the community of Darliston and adjacent communities
LOCATION	Eastern Westmoreland
CONTRACTOR	Sunshine Pumps & Supply Limited for materials. Construction contractor not yet ascertain.
DATE CONSIDERED BY CABINET	20th November, 1995
DATE APPROVED BY CABINET	20th November, 1995
SUBMISSION NO.	394/MPUT/51/95
SOURCE OF FUNDING	Government of Jamaica
ESTIMATED COST	\$788.5 million
CURRENT FINANCIAL YEAR	-
BUDGET REQUESTED	\$164.340 million
BUDGET APPROVED	\$40.0 million
AMOUNT RECEIVED	NIL

North-east Westmoreland/Darliston Water Supply

EXPENDITURE	\$4.467 million.
TOTAL RECEIVED	NIL
EXPENDITURE TO DATE	\$4.467 million
PREVIOUS YEARS ACCOUNT	
AMOUNT RECEIVED	\$8.25 million
EXPENDITURE	\$8.0 million
TOTAL RECEIVED	\$8.256 million
TOTAL EXPENDITURE	\$12.467 million
WORK IN PROGRESS/ACHIEVEMENT	Materials contract signed. Materials to be delivered by 31st July, 1997. Construction contract being evaluated.

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	New market Water Supply Scheme
CONTRACTOR	Land to be acquired for well
DATE CONSIDERED BY CABINET	
DATE APPROVED BY CABINET	-
SUBMISSION NO.	-
START DATE OF PROJECT	-
COMPLETION DATE	-
SOURCE OF FUNDING	Government of Jamaica
ESTIMATED COST OF PROJECT	\$3.500 million
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$3.500 million
AMOUNT RECEIVED TO DATE	NIL
EXPENDITURE TO DATE	

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	CAMBRIDGE WATER SUPPLY SCHEME - PHASE II (ST. JAMES)
CONTRACTOR	Contract signed (Total Construction Co.)
DATE CONSIDERED BY CABINET	-
DATE APPROVED BY CABINET	-
SUBMISSION NO.	-
START DATE OF PROJECT	Not yet started
COMPLETION DATE	-
SOURCE OF FUNDING	Government of Jamaica
ESTIMATED COST OF PROJECT	\$6.0 million
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$3.600 million
AMOUNT RECEIVED TO DATE	NIL
EXPENDITURE TO DATE	0.110 million

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	Seaview Treatment Plant
CONTRACTOR	Land to be acquired
DATE CONSIDERED BY CABINET	
DATE APPROVED BY CABINET	-
SUBMISSION NO.	-
START DATE OF CONTRACT	-
COMPLETION DATE	-
SOURCE OF FUNDING	Government of Jamaica
ESTIMATED COST OF PROJECT	\$3.465 million
CURRENT FINANCIAL YEAR	1997/98
BUDGET REQUESTED	3.465 million
AMOUNT RECEIVED TO DATE	NIL
EXPENDITURE TO DATE	NIL

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	Northern Jamaica Development Limited formerly called Negril Water Supply Project. Project is to increase the potable water supply to Negril, a tourist area.
LOCATION	Negril
CONTRACTOR	
DATE CONSIDERED BY CABINET	No. 72/95 August 21, 1995
DATE APPROVED BY CABINET	Decision 44/95 November 20, 1995
SOURCE OF FUNDING	OECD/GOJ
ESTIMATED COST	US\$32.09 million
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$310.274 million
AMOUNT RECEIVED TO DATE	\$30.000 million
EXPENDITURE TO DATE	\$12.300 million
PREVIOUS YEARS ACCOUNT	

Northern Jamaica Development Limited

	PROJECTS
AMOUNT RECEIVED	\$18.200 million
EXPENDITURE	\$1.071 million
TOTAL RECEIVED	\$48.200 million
TOTAL EXPENDITURE	\$13.371 million
WORK IN PROGRESS/ACHIEVEMENTS	15% complete

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	Gréat River/Montego Bay Water Supply - Distribution System Improvements. To distribute potable water in Montego Bâÿ and its environs
LOCATION	Montego Bay - St. James
CONTRACTOR	Sunshine Pumps & Supply Limited (pumps) Construction Contract C1 Lester Johnson Construction C1 Ronham & associates Limited - construction C2 Matlaw Construction Limited - construction C2 Tankweld Limited C4
DATE CONSIDERED by Cabinet	Contract C3 January 8, 1996 Contract C1 & C2 February 12, 1996 Contract C4 Decision 26/96 Contract EIA July 17, 1996
DATE OF APPROVAL	February 12, 1996
SUBMISSION NO.	-
DATE PROJECT STARTED	-
COMPLETION DATE ESTIMATED	-
SOURCE OF FUNDING	OECE - Japan
ESTIMATED COST	Yen4.720 billion
CURRENT FINANCIAL YEAR	-

Great River Montego Bay Water Supply Project

BUDGET - REQUESTED	6.090M
BUDGET APPROVED	6.090M
AMOUNT RECEIVED TO DATE	NIL
EXPENDITURE TO DATE	NIL
PREVIOUS YEARS ACCOUNT	
AMOUNT RECEIVED	91.300M
EXPENDITURE	NIL
TOTAL RECEIVED	34.336M
TOTAL EXPENDITURE	34.336M
WORK IN PROGRESS/ACHIEVEMENT	Complete (Retention to be paid)

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME & DESCRIPTION OF PROJECT	Major Rural Water Supply European Union This project is to provide potable water supply to South Chapleton Water Supply Project/Castleton.
LOCATION	Chapleton, Clarendon
CONTRACTOR	Consultant - N.O. Whyte Construction - Bacchus Engineering Works Limited
DATE CONSIDERED BY CABIBET	-
DATE APPROVED BY CABINET	March 26, 1996
SUBMISSION NO.	
START DATE OF PROJECT	June 3, 1996
COMPLETION DATE	December 1997
SOURCE OF FINANCING	European Union
ESTIMATED COST	\$97.0M
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$44.900M
BUDGET APPROVED	NIL
BUDGET RECEIVED	NIL

Major Rural Water Supply

	PROJECT
EXPENDITURE TO DATE	NIL
PREVIOUS YEARS ACCOUNT	
AMOUNT RECEIVED	\$2.149M
EXPENDITURE	\$1.865M
TOTAL RECEIVED	\$1.865M
TOTAL EXPENDITURE	\$1.865M
WORK IN PROGRESS/ACHIEVEMENT	60% complete

QUARTERLY PROGRESS REPORT
APRIL TO JUNE 1997

	PROJECTS
NAME AND DESCRIPTION OF PROJECTS	Rural Water Supply - Italy - Spanish Town Treatment Plant
LOCATION	Spanish Town
DATE CONSIDERED BY CABINET	
DATE APPROVED BY CABINET	
SUBMISSION NO.	
START DATE OF CONTRACT	
COMPLETION DATE	
SOURCE OF FUNDING	Italian
ESTIMATED COST	\$34.0 million
CURRENT FINANCIAL YEAR	
BUDGET REQUESTED	\$1.050 million
AMOUNT RECEIVED TO DATE	NIL
EXPENDITURE TO DATE	\$0.112 million
PREVIOUS YEARS ACCOUNT	

Rural Water Supply - Spanish Town Treatment Plant

	PROJECTS
AMOUNT RECEIVED	\$5.800 million
EXPENDITURE	\$.230 million
TOTAL RECEIVED	\$5.800 million
TOTAL EXPENDITURE	\$.342 million
WORK IN PROGRESS/ACHIEVEMENT	Minor refurbishing

NEGRIL REPORT

1. **DIVISION:** Capital Projects Unit
2. **FUNCTION:** Engineering and Capital Projects Management
3. **PROJECT:** Negril Wastewater Treatment Project
4. **PROJECT DESCRIPTION:** ♦ 26 km sewers ♦ 11 No. pumping stns
♦ sewage treatment works (stabilization ponds)
5. **PERIOD UNDER REVIEW:** Period up to August 31, 1997
6. **FINANCING:** 7th European Development Fund under the Lomé IV Convention
Works Contract Sum: J\$ 580M (as tendered)
Current Expenditure: J\$ 560M (including the deduction of liquidated damages \$580,000/day for 100 days)
Projected Expenditure: J\$ 729M (based on outstanding claims eg ponds)
Supervision Contract Sum: J\$ 30M (Negril & Ocho Rios Projects)
Current Expenditure: J\$ 71M
7. **CONSULTANTS:** Witteveen + Bos Consulting Engineers
8. **CONTRACTOR:** Cubiertas y Mzov/Fomento de Construcciones y Contratas
9. **CONSTRAINTS AND PROBLEMS:**

Our consultants have recently advised that modifications to the system will be required to overcome surge problems with the system. Every effort is being made to complete modifications by the end of the year to facilitate the early commissioning of the scheme. In addition, the poor quality of works produced by the Contractor has resulted in extensive remedial works.
10. **WORK STATUS:**

Overall Completion	-	92%
Sewage treatment works	-	98%
Pumping stations	-	87%
Testing of sewers	-	57%
Manhole remedial works	-	15%
11. **COMPLETION:** Based the latest programme and discussions with the Contractor we can advise the following:
 - Remedial works on the West End should be completed by the end of October the latest.
 - Reinstatement of outstanding road works on the Norman Manley Boulevard should be completed by September 19th.
 - All other road works should be completed by the end of October.
 - The project is scheduled for completion by the end of November.
 - Commissioning will be carried out during the months December 1997 to January 1998.

OCHO RIOS PROJECT REPORT

DIVISION: Capital Projects Unit

FUNCTION: Engineering and Capital Projects Management

PROJECT: Ocho Rios Wastewater Treatment Project

PERIOD UNDER REVIEW: Period up to August 31, 1997

PROJECT DESCRIPTION: ♦ 20 km sewers ♦ 7 No. pumping stns
♦ sewage treatment works (oxidation ditch) & sea outfall

FINANCING: 7th European Development Fund under the Lome IV Convention
Works Contract Sum: JS 330M (as tendered)
Current Expenditure: JS 390M (including the deduction of liquidated damages \$330,000/day for 100 days)
Projected Expenditure: JS 527M (based on outstanding claims eg. rock)
Supervision Contract Sum: JS 30M (Ocho Rios & Negril Projects)
Current Expenditure: JS 71M

CONSULTANTS: Witteveen + Bos Consulting Engineers

CONTRACTOR: Cubiertas y Mzov/Fomento de Construcciones y Contratas

CONSTRAINTS AND PROBLEMS:

The Contractor has not started the construction of the sea outfall construction. He also has to do remedial works on approximately 10 km of sewers (completed 3 km to date) which had previously been laid. There can be expected public discontentment especially in the main thoroughfares such as Main Street, DaCosta Drive, Milford Road where the works are to be carried out.

WORK STATUS:

Overall Completion	-	85%
Sewage treatment works	-	91%
Pumping stations	-	92%
Testing of sewers	-	34%
Sea Outfall	-	0%

COMPLETION: Based the latest programme and discussions with the Contractor we can advise the following:

- The Contractor is to carry out the remedial works on Milford Road between the period Sept 16 to Oct. 30 1997.
- Works on Main Street will be carried out during the period end of September to end of November.
- All other road works will be completed by the end of November.
- The project is scheduled for completion by mid - December.
- Commissioning will be carried out during the months January to February 1998.

SMALL NON GOVERNMENT FUNDED PROJECTS (CECL FUNDED)

PROJECT TITLE	PROJECT DESCRIPTION	LATEST OVERALL ESTIM. PROJECT COST	CONTRACTS & PRESENT STATUS	CONTRACTOR	APPROVED BUDGET 1997-1998	ACTUAL EXPENDITURE APR - SEPT '97	PROJECTED PHYSICAL ACHIEVEMENT TO DATE & ANTICIPATED COMPLETED DATES	REMARKS
1. GOLDMINE	A) SUPPLY & INSTALL PUMP- ING EQUIPMENT B) INSTALLATION OF PIPELINE AND REFURBISHING OF TREATMENT PLANT C) SUPPLY OF PIPES & FITTINGS SUBTOTAL:	\$6.10M \$9.80M \$2.7M \$12.4M	A) CONTRACT AWARDED & LETTER OF CREDIT BEING ESTABLISHED. B) CONTRACT COMMENCED & IS PROGRESSING SATISFACTORILY. C) PIPES ARE BEING SUPPLIED FROM OUR STORES	A) MULTI-TEC B) JAMAICA WELLS	\$12.65M		A) THIS CONTRACT HAS BEEN AWARDED. COMPLETION SCHEDULED FOR JAN '98 B) START DATE OF CONTRACT - FIRST WEEK IN AUGUST. ANTICIPATED COMPLETION DATE - FEB '98	APPROVALS FOR AWARD OF THESE TWO CONTRACTS WAS QUITE LENGTHY AS THE TIME FOR APPROVAL OF GOVERNMENT CONTRACTS COMMITTEE (GCC) AND CABINET WAS APPROXIMATELY 3 MONTHS
2. TYDIXON W/S/S	A) INSTALLATION OF PIPE- LINE AND CONSTRUCTION OF RESERVOIR AND CIVIL WORKS ASSOCIATED WITH PUMPING STATION B) SUPPLY AND INSTALL PUMPING PLANT C) SUPPLY OF PIPE MATERIAL SUBTOTAL:	\$14.5 M \$ 1.5 M \$ 3.96M \$19.96M	A) TENDERS WERE RETURNED & RECOMMENDATION MADE FOR AWARD BY END SEPT '97. B) NOT YET TENDERED. C) CONTRACT AWARDED & MATERIALS TO BE CLEARED FROM THE WHARF.	IMPACT GENERAL	\$12M		A) AWARD OF CONTRACT WILL BE FAST-TRACKED BASED ON CABINET'S APPROVAL B) TENDER INVITATIONS TO BE ISSUED BY END AUG '97 C) CONTRACTORS HAVE ADVISED THAT MATERIAL WILL BE DELIVERED BY END AUG '97.	COMMISSIONING OF THIS PROJECT IS SCHEDULED FOR JULY '98
3. PELL RIVER W/S/S	CONSTRUCTION OF 450,000 LITRES SUBTOTAL:	\$4.7M	CONTRACT AWARDED AND CONSTRUCTION IS PREGRESSING SATISFACTORILY.	JAMAICA CONS. ENGINEERING LTD	\$4.7M		THIS CONTRACT IS A 3.5-MONTH CONTRACT AND IS ANTICIPATED TO BE COMPLETED BY LATEST END NOV '97	THIS CONTRACT WAS AWARDED USING THE AWARD MECHANISM PUT IN PLACE BY CABINET FOR SMALL CONTRACTS
4. CAMBRIDGE W/S/S	A) EXTENSION OF EXISTING PIPELINE 2.2KM OF 200MM DI PIPES B) PIPE MATERIAL COST SUBTOTAL:	\$6.5M \$3.5M \$10M	CONTRACT PROGRESSING SATISFACTORILY. 75% OF PIPELINES LAID TO DATE.	TOTAL CONSTRUCTION	\$44.05M		THIS CONTRACT IS A SIXTEEN- WEEK CONTRACT & IS EXPECTED TO BE COMPLETED BY LATEST DEC 7, '97	THIS CONTRACT WAS AWARDED USING THE AWARD MECHANISM PUT IN PLACE BY CABINET FOR SMALL CONTRACTS
5. APPLETON SPRING W/S/S	A) CONTRACT TO REFURBISH EXISTING TANK B) CONTRACT TO INSTALL 400 OF 100MM PIPELINE C) CONTRACT TO INSTALL PUMPING EQUIPMENT SUBTOTAL:	\$1.1M \$3.0M \$0.35M \$4.45M	A) REFURBISHING OF TANK IS COMPLETED. B) QUOTATION ACCEPTED. WORKS TO COMMENCE SHORTLY. C) EQUIPMENT PROCURED. QUOTATIONS FOR INSTALLATION ACCEPTED.	TASK WORK TASK WORK TASK WORK	\$3.15M		A) REFURBISHING WORK ON TANK IS COMPLETED. B) PIPELAYING WORKS TO COMMENCE SEPT 10, '97 & SHOULD BE COMPLETED BY END NOV '97 C) LEASE AGREEMENT FOR P.S. LAND FINALISED.	THIS SCHEME IS ANTICIPATED TO BE COMPLETED BY END NOV '97

LEGEND - P.S. - PUMPING STATION

PROJECT TITLE	PROJECT DESCRIPTION	LATEST OVERALL ESTIM. PROJECT COST	CONTRACTS & PRESENT STATUS	CONTRACTOR	APPROVED BUDGET 1997-1998	ACTUAL EXPENDITURE APR - SEPT '97	PROJECTED PHYSICAL ACHIEVEMENT TO DATE & ANTICIPATED COMPLETED DATES	REMARKS
6. VALLEY MINOR/ BELLFIELD WIS/S	A) CONTRACT TO INSTALL PIPELINE B) CONTRACT TO SUPPLY & INSTALL PUMPING PLANT C) CONTRACT TO FABRICATE 135,000 LITRE (30 GAL) STEEL RES D) SUPPLY 1.5 MILES OF 100MM GALVANISED STEEL (GS) PIPELINE SUBTOTAL:	\$3.0M \$1.4M \$1.8M \$1.35M \$7.55M	DESIGNS ARE BEING CARRIED OUT BY CECL & ARE TO BE FINALISED. TENDER INVITATIONS TO BE ISSUED BY END SEPT '97.				SUBSEQUENT TO THE COMPLETION OF DESIGNS TENDERS ARE TO BE INVITED BY END SEPT '97. AWARD OF CONTRACT ANTICIPATED BY END NOV '97	FORMAL APPROVAL FOR BUDGET SUPPORT WILL HAVE TO BE SOUGHT UNDER SMALL PROJECTS PROGRAMME
7. HOPE WELL/ DISCOVERY BAY WIS/S	CONTRACT TO INSTALL 200MM PIPELINE SUBTOTAL:	\$2.5M	CONCEPT OF PROJECT TO BE FINALISED BY MWC.		\$2.5M		AWAITING DECISION AS TO THE EXTENT OF THE PROJECT	
8. DIAS WIS/S	A) TO SUPPLY & LAY 6" DIA PIPELINE, CONNECT & PUT 50,000 GAL TANK INTO SERVICE & SERVICE PUMPS AT WATER CREST B) TO SAND BLAST & PAINT 50,000 GAL TANK C) TO CONSTRUCT & INSTALL RELIFT STATION D) REPAIR 10,000 GAL TANK STRUCTURE AT HEALTH CENTRE E) TO SUPPLY, REROUTE & RELAY 3" DIA GS PIPES F) SUPPLY & LAY APPROX 4,000 LFT OF 1 1/2" & 2" GS PIPE DISTRIBUTION PIPELINE & INSTALL SERVICE CONNECTIONS & STAND PIPES SUBTOTAL:	A) \$0.65M B) \$0.35M C) \$0.32M D) \$0.18M E) \$0.38M F) \$0.55M \$2.43M	A) QUOTATIONS REQUESTED FROM LOCAL CONTRACTORS. B) MAJORITY OF PIPE MATERIALS & PUMPING PLANTS ALREADY PROCURED.		\$2.5M		CONSTRUCTION TO START BY END SEPT '97 & WILL BE COMPLETED IN FOUR MONTHS. ANTICIPATED COMPLETION DATE - END JAN '98.	MATERIAL PROCUREMENT HAS BEEN FINALISED. INVITATIONS TO TENDER ISSUED.

E	PROJECT DESCRIPTION	LATEST OVERALL ESTIM. PROJECT COST	CONTRACTS & PRESENT STATUS	CONTRACTOR	APPROVED BUDGET 1997-1998	ACTUAL EXPENDITURE APR - JUL '97	PROJECTED PHYSICAL ACHIEVEMENT TO DATE & ANTICIPATED COMPLETED DATES	REMARKS
'99)	PHASE I 1. CONSTRUCT RIVER INTAKE & PUMP STATION 2. LAY APPROX 700' OF 14" DIA PIPELINE TO T/P 3. CONSTRUCT PUMP STN & STORAGE RESERVOIRS PHASE II 4. REMEDIAL WORKS TO T/P; CONSTRUCT SEDIMENTA- TION BASIN	\$6.4M - PH I \$7.3M - PH II	1. REHABILITATION OF T/P & & INSTALL CLARIFLOCU- LATOR. DESIGNS COMPLETED. TENDERS RETURNED ON AUG 13, '97 AND ARE PRESENTLY BEING EVALUATED BY OUR CONSULTANTS.		\$3.6M	\$0.1M	1. COMPLETE REMEDIAL WORKS TO T/P. CONSTRUCT CLARIFLOCULATOR. TENDER RETURNED ON AUG 13, '97 AND ARE PRESENTLY BEING EVALUATED BY OUR CONSULTANTS.	AWARD OF THIS CONTRACT WILL BE FAST- TRACKED BY UTILISING THE AWARD MECHANISM PUT IN PLACE BY CABINET FOR SMALL CONTRACTS.
	1. CONSTRUCT 5,000' OF 10" PIPELINE TO THE SEAVIEW T/P. 2. CONSTRUCT & EQUIP ASSOCIATED PUMP STATION.	\$16.8M	1. CIVIL WORKS FOR PUMP STATION; TENDERS TO BE INVITED BY OCT '97 2. INSTALL PUMPS & SWITCHGEAR; TENDERS TO BE INVITED BY DEC '97		\$3.465M	-	1. CONSULTANCY AGREEMENT SENT TO CONSULTANTS TO BE SIGNED 2. CONSTRUCTION OF BOOSTER STATION & COMMISSIONING OF SYSTEM IS ESTIMATED FOR COMPLETION BY MAY '98	AWARD OF THIS CONT WILL BE FAST-TRACKED BY UTILISING THE AWARD MECHANISM PUT IN PLACE BY CABINET FOR SMALL CONTRACTS.
TER	PRODUCE POTABLE WATER TO CASTLETON BY DRILLING & EQUIPPING.	SHALLOW WELL FOR CASTLETON \$3.6	CONTRACT AWARDED & WORKS ANTICIPATED TO COMMENCE BY SEPT '97.	HOOD DANIEL	\$3.5M	-	CONTRACT TO BE AWARDED COMPLETE DRILLING & TESTING OF SHALLOW WELLS BY JAN '98.	CONTRACTORS HAVE ADVISED OF INCREASE COST AS A RESULT OF DELAYS IN AWARDED CONTRACT.
ATER			A) CONTRACT AWARDED. TO BE COMPLETED BY END OCT '97. B) CONTRACT AWARDED. COMPLETION SCHEDULED FOR MID MID DEC '97.	A) TANK-WELD LTD B) TANK-WELD LTD	\$1.2M \$1.5M		WITH THE INSTALLATION OF A RESERVOIR THE LLUIDAS VALE PROJECT WILL BE COMPLETED BY END DEC '97.	CONTRACT IS PROGRESSING SATISFACTORILY.