AUDITOR GENERAL'S DEPARTMENT
SPECIAL AUDIT REPORT

MINISTRY OF AGRICULTURE AND FISHERIES

CANE EXPANSION FUND

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This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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Vision
Our vision is aimed at promoting a better country through effective audit scrutiny of Government operations

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Foreword

The Ministry of Agriculture and Fisheries (MoAF), is the main engine for sustainable growth and development of the agricultural sector. The goal of the MoAF is to advance the development of a modern and internationally competitive sector and the sustainable management of Jamaica's fishery resources, in order to promote food security and food safety as well as to contribute to the development and well-being of all Jamaicans. As part of its mandate, the MoAF is responsible for overseeing the effective implementation of the GOJ's Sugar Transformation Programme. The Cane Expansion Fund was created in 2007 with the aim of providing funding through the provision of grants and loans to lend support to the cane farmers as a part of the Sugar Areas Development Programme.

This report comprises the findings of a special audit which examined the administration of the Cane Expansion Fund. The audit also examined the Barracks Relocation Project.

The audit revealed a number of deficiencies which has since been brought to the attention of the Ministry of Agriculture.

Pamela Monroe Ellis, FCCA, FCA, CISA
Auditor General

Key Statistics

1.25 million tonnes	*Cane Harvested in F/Y 2015-16*
105,827 tonnes	*Sugar production in F/Y 2015-16*
28%	*Reduction in cane harvested and sugar produced in 2015/2016 relative to 2007/2008*
$2 billion	*Loans and grants disbursed under Cane Expansion Fund (CEF)for period F/Y 2007-08 to F/Y 2014-15*

Summary

The Ministry of Agriculture and Fisheries (MoAF) vision:

> *"To be the driver for the sustainable development of the Jamaican agricultural sector and natural resources by the year 2030."*

MoAF Mission:

> *"To advance the development of a modern, efficient and internationally competitive agricultural sector and the sustainable management of our fishery resources, in order to promote food security and the food safety, in an effort to contribute to the development and well-being of the citizens of Jamaica."*

The MoAF formally established the Cane Expansion Fund (CEF) in January 2009 as part of the Sugar Areas Development Programme (SADP). The Fund was created to support the achievement of the objectives of Component (I) of the Revised Sugar Area Development Programme under the GoJ's Sugar Adaptation Strategy in strengthening commercial competitiveness of the sugar cane sector. The principal objective of the CEF is to support the improvement in the production, productivity and efficiency in the Sugar Industry through the provision of concessionary loans and grants to sugar farmers.

The CEF is administered by the SIA on behalf of the MoAF. Funds disbursed are in the form of loans and grants.

The special audit was conducted to assess the Ministry of Agriculture and Fisheries management of the operations of the Jamaica Country Strategy for the Adaptation of the Sugar Cane Industry 2006-2020 (JCS Π), with specific focus on the CEF and the Barracks relocation project.

We identified five key findings and related recommendations which should be considered as a matter for urgent implementation.

Key Findings

1. **Sugar Industry Authority (SIA) appeared not to have complied with the provisions of the Cane Expansion Fund (CEF) Loan Policy in relation to loans and grants disbursed totalling $156.3 million and $50.5 million, a total of $206.8 million.** We saw no evidence that approvals were granted prior to disbursements; further, it appears that farmers did not faithfully submit a loan application as a prerequisite for loans. SIA was not strident in its effort to recover sums overdue from delinquent borrowers; this was exacerbated by additional loans being granted by SIA to some delinquent borrowers. Of the $206.8 million, SIA disbursed amounts totalling $82.7 million (or 40%)

to senior employees of the MoAF and officers at related entities as well as a member of the SIA Loans Committee.

2. **SIA is yet to implement six of 12 recommendations made by a firm contracted by MoAF in 2012 to review the administration of the CEF.** A report dated August 30, 2012, highlighted deficiencies with the administration of the CEF and provided 12 recommendations. To date, six recommendations relating to improvement in the use of funds and performance monitoring, structure and staffing as well as technology have not been implemented. The SIA cited funding as the inhibiting factor to the prompt implementation of the recommendations. However, SIA's tardiness in implementing the recommendations has led to the continued inefficiencies and deficiencies in the administration of the CEF. The Management of the MoAF indicated that they are currently in the process of implementing five of the six outstanding recommendations for completion by August 2016. They also indicated that the recommendation in relation to training will not be implemented due to funding constraints.

3. **The GoJ did not receive €0.45 million in grant funding from the EU due to the MoAF's failure to achieve the target under the Jamaica Country Strategy (JCS).** Under the financing agreements between Jamaica and the EU, the GoJ receives budgetary support for the implementation of the JCS. However, the GoJ failed to table the Bill, "Feed in Tariff Rates" in Parliament by December 2014. Consequently, the EU reduced its funding to the GoJ by €0.45 million (approximately J$62 million).

4. **MoAF incurred variation and fluctuation costs totaling $176.1 million in relation to the Barracks Housing Relocation Project.** Further, delays in completing the project caused the GoJ to lose approximately $164 million in EU grant funding. Under the Barracks Relocation project, the MoAF should have relocated 350 families living in sugar estate barracks. We noted that 397 housing solutions were planned for construction at a projected cost of $2 billion and completion date of September 2014. However, as at April 2016, only 84 solutions were completed and handed over to beneficiaries. The Ministry subsequently indicated that the remaining 313 houses were substantially complete (housing and infrastructure) and the handing over process should commence at the end of May 2016 and continue into June 2016. The Ministry indicated that the re-tendering process subsequent to the National Contracts Commission's revocation of the registration of the initial major Contractor and the challenges in funding contributed to the time over-runs on the project. Up to the date of this report, the houses were not handed over to the beneficiaries.

Recommendation

1. In light of the deficiencies identified in the administration of the CEF, the MoAF should develop a robust risk management mechanism and implement a comprehensive strategy to ensure the effective planning and execution of projects and the efficient use of funds under the programme. The continued deterioration of the CEF due to increased arrears resulting from an ineffective disbursement and recovery policy will continue to jeopardize the sustainability of the Sugar Transformation Programme. As a point of first reference, the MoAF should implement the six remaining recommendations from the 2012 report on the CEF.

Part One

Introduction

Emergence of the Sugar Transformation Programme

1.1 In 2003, Brazil, Thailand and Australia submitted a complaint to the World Trade Organization (WTO) that challenged the legality of preferential treatment for Jamaica and other African, Caribbean Pacific (ACP) countries afforded by the EU-ACP Sugar Protocol. This had provided a guaranteed price and preferential access for an agreed quota of 121,000 tonnes of Jamaican raw sugar in 2005. Arising from the 2004 WTO's ruling in favour of the three countries, the European Union (EU) introduced a reform of its sugar regime to be completed over a four year transition period from July 1, 2006 to September 30, 2010. This included a progressive reduction of price support to ACP producers to eliminate the subsidy completely by October 2009 through an overall reduction of 36 per cent in the guaranteed price paid for sugar exported by ACP countries to the EU.

1.2 To compensate for this loss of preference and to support their sugar sectors to adapt to the new market circumstances, the EU agreed to a package of support for ACP sugar exporting countries funded by annual subventions under the "Accompanying Measures for Sugar" (AMS) Programme from 2006 through to 2013. The framework for this support was to be the Government's strategy for development of the sugar sector and for the management of the economy generally to offset the impact of, and adapt to, this change in the EU regime. For Jamaica, the amounts agreed are released as sector budget support, general budget support and technical assistance.

1.3 The transition of the EU pricing regime was completed in 2009 with the final reduction in the support price and the end of preferential access under the EU Sugar Protocol. Subsequent to this CARICOM territories signed the Economic Partnership Agreement (EPA) which allows duty free and quota free access for sugar, subject to approved ceilings.

The Jamaica Country Strategy for the Adaptation of the Sugar Industry

1.4 In response to the changing circumstances in the domestic and international environment for the sector and to deal with the impact of the reform, the Government of Jamaica (GoJ) in 2005 developed "The Jamaica Country Strategy for the Adaptation of the Sugar Industry (JCS I)" which presented an approach to sectoral reform over the period 2006 to 2015. In 2006, when the JCS (I) was adopted, the sugar processing sector in Jamaica was largely publicly owned and the GOJ indicated that it was short of funds to both run the mills and to invest in new technology. The focus of the JCS was to divest public estates in order to attract new capital and managerial capacity for efficiency improvements, as well as to create an enabling environment for industry recovery.

Key elements of JCS (I):

- Provide a pathway to ensure Jamaican sugar producers would be able to compete in a post-EU Protocol world
- Provide a programme of support to mitigate the anticipated negative economic, social and environmental consequences for individuals and communities dependent on sugar for their livelihoods
- Introduction of private capital to address the technical inefficiencies and lack of market responsiveness.

1.5 In 2009, stemming from a review of the initial strategy covering 2006-2015 (JCS I), and in response to the global financial crisis and the delays encountered in completing the privatization of publicly owned sugar estates, the GOJ revised its Sugar Adaptation Strategy to *"The Jamaica Country Strategy for the Adaptation of the Sugar Cane Industry 2006-2020 (JCS II)"* to take the reform of the Sugar sector through to 2020. The aim of the JCS (II) was to build upon the success of JCS (I) taking account of progress in the implementation and changing circumstances in the international and domestic environment. The overall goals and strategic objectives of JCS (II) are similar to those of JCS (I), which outlines the development of the sector over 2006-2020 in the following three phases:

Phase I: Transition
FY2006-07 to FY2009-10
Develop and maintain a sustainable private sector-led Sugar Cane Industry without the concessionary framework of the EU Sugar Protocol

Phase II: Transformation
FY2010-11 to FY2014-15
Support and maintain the transformation of the sector to commercial competitiveness within the global sugar market towards macro-economic goals

Phase III: Consolidation
FY2015-16 to FY2019-20
Strengthen the economic diversification, social resilience and environmental sustainability of sugar-dependent areas

Source: AuGD's compilation of JCS (II) strategic objectives.

Roles and Responsibilities under the JCS (II)

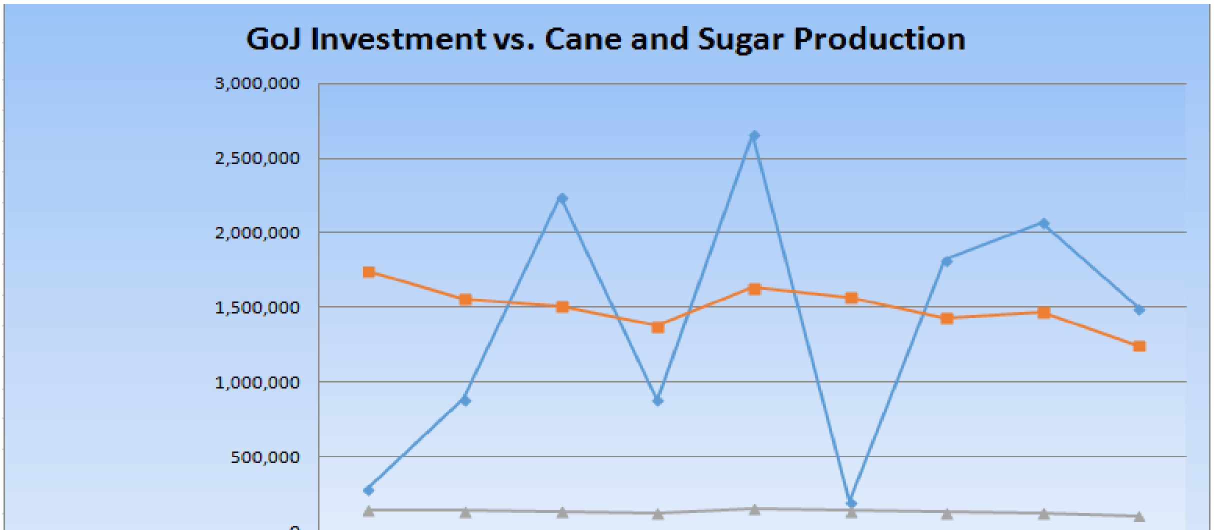
MoAF Steering Committee: This Committee oversees the STU and the Sugar Industry Authority's management of the CEF.

The Sugar Transformation Unit (STU) was established within the Ministry of Agriculture and Fisheries (MOAF) to oversee the effective implementation of the GoJ's Sugar Adaptation Strategy.

Sugar Industry Authority: Supports new cane planting and the rehabilitation or introduction of irrigation. This is done through the administration of the Cane Expansion Fund (CEF), in which sugar farmers are provided with loans and grants as part of the Sugar Areas Development Programme (SADP).

1.6 The GoJ allocated approximately $12.4 billion for the Sugar Transformation Programme during the period 2007-08 to 2015-16. The GoJ also granted $0.1 billion in waivers[1] through the Minister of Finance for sugar harvesting machinery and seeds. The waivers provided special allowances or incentives to individuals and organizations within the sector to spur production and economic development. On the other hand, the sugar industry has shown a 28 per cent reduction in the cane harvested and sugar produced in 2015-16 when compared to the base crop year of 2007-08. In financial year 2015-16, Jamaica's cane harvest and sugar production reflected 1.25 million and 105,827 tonnes respectively, while eight years ago in 2007-08 production figures were 147,308 tonnes of sugar from 1.74 million tonnes of sugar cane. The MoAF cited loss of time due to mechanical breakdowns at factories, interruption in cane supply, unavailability of cane farm equipment and drought as the major contributing factors to the results.

[1] The waivers highlighted were limited to sugar harvesting machinery and seeds, the figure excluded other waivers specific to various manufacturers.



	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GoJ Investment (JA$'000)	287,551	888,441	2,241,292	882,040	2,658,733	197,236	1,820,184	2,070,253	1,496,918
Cane Production (tonnes)	1,741,737	1,555,150	1,511,941	1,378,260	1,633,274	1,571,160	1,431,882	1,468,504	1,247,530
Sugar Production (tonnes)	147,308	139,504	134,034	121,987	149,609	137,651	127,939	121,811	105,827

Source: *AuGD's compilation of Information from SIA, Waivers data and MoAF expenditure data.*

Why was the Cane Expansion Fund (CEF) established?

1.7 The Cane Expansion Fund (CEF) commenced operations in 2007 but was formally established in January 2009 as part of the Sugar Areas Development Programme (SADP). The Fund was established to support the achievement of the objectives of Component (I) of the Revised Sugar Area Development Programme under the GoJ's Sugar Adaptation Strategy in strengthening commercial competitiveness of the sugar cane sector. The principal objective of the CEF is to support the improvement in the production, productivity and efficiency in the Sugar Industry through the provision of concessionary loans and grants to sugar farmers.

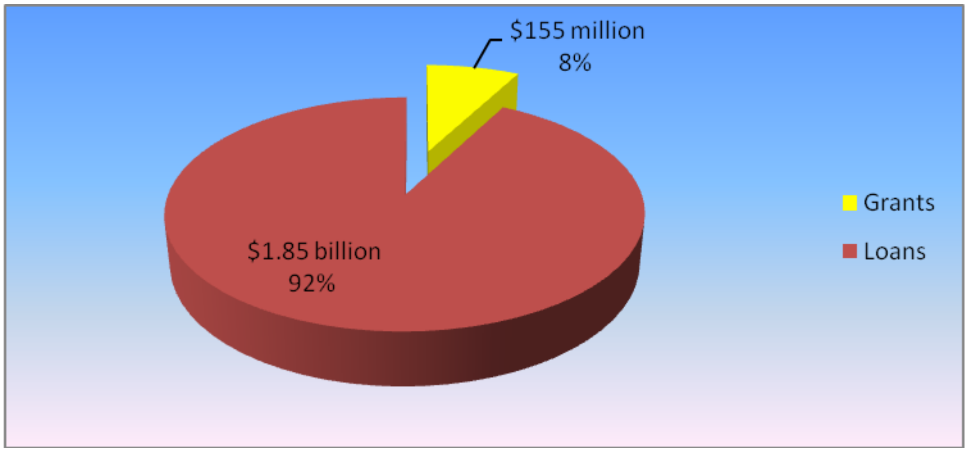
What activities does the CEF cover?

1.8 The specific areas of focus of the CEF are cane planting/replanting, land clearing, drip irrigation, land preparation, cultivation and harvesting equipment, support of projects in Sugar Dependent Areas (SDAs) and other related areas.

How is the CEF administered?

1.9 The CEF is administered by the SIA on behalf of the MoAF. Funds disbursed are in the form of loans and grants. Loan disbursements are guided by the loan policy **(Appendix 1)** and recoveries are made vide deductions from proceeds of cane sales to the factories over a five to seven year period. The CEF is predominantly a revolving loan scheme, which saw 92 per cent of the disbursements over the 2007-08 to 2015-16 period being loans and eight per cent in grants (**Figure 4**). Therefore, the non-repayment of loans will impact the availability of funds to lend to other farmers.

Figure 4 CEF Loan and Grant Distribution (FY2007-08 to FY2014-15)



Source: AuGD's compilation of Information from CEF records.

The Barracks Relocation Project

1.10 The Socio-Economic Development of Sugar Dependent Areas (SDA's) under Component 2 of the Sugar Transformation Project outlines the construction of 350 units in total for families living in Barracks on the Sugar Estates. This was outlined in the financing agreement between the European Commission and the Government of Jamaica with completion slated for September 2014. The Barracks are located on government owned lands and were originally built to house workers during the sugar cane harvest season, but ended up as housing for generations of families connected to Sugar Estates. The objective was supported by the fact that these were extremely vulnerable families living under substandard conditions. Following the Privatisation of the Sugar Industry, it became necessary in line with the Jamaica Country Strategy (JCS) to relocate the barracks residents to modern housing solutions in seven relocation sites, within the Parishes of Westmoreland, Trelawny, Clarendon and St. Thomas.

Audit scope and methodology

1.11 The special audit was conducted to assess the Ministry of Agriculture and Fisheries management of the operations of the Jamaica Country Strategy for the Adaptation of the Sugar Cane Industry 2006-2020 (JCS II), with specific focus on the CEF and the Barracks relocation project. The audit covered the period April 2007 to March 2015 and where necessary we considered relevant information outside the audit period. Our audit was planned and conducted in accordance with the Government Auditing Standards, which are applicable to Special Audits and issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The planning process involved gaining a thorough understanding of the Programme and developing an issue analysis that focused on the Cane Expansion Fund and the Barracks Relocation Project. Our assessment was based on the review of internal and external documents, interviews with senior management and staff, observations and analysis of information provided by the MoAF and the SIA.

Part Two

Administration of the Cane Expansion Fund

2.1. The CEF is funded by the Ministry of Agriculture and Fisheries. Total disbursement in loans and grants from the CEF amounted to $1.85 billion and $0.16 billion, respectively, over the period 2007-2008 **(Figure 5)**.

Figure 5 Funding from MoAF and Disbursement from CEF

Financial Years	Loans Disbursed from the CEF (J$)	Grants Disbursed from the CEF (J$)
2007-08	85,103,292	0
2008-09	100,966,442	11,062,710
2009-10	103,677,266	3,476,059
2010-11	136,106,434	20,195,173
2011-12	401,260,525	18,951,004
2012-13	700,560,675	29,287,232
2013-14	37,880,000	50,243,554
2014-15	283,510,000	21,807,981
Totals	**1,849,064,634**	**155,023,713**

Source: AuGD compilation of Information from CEF and MoAF Disbursement Schedules and other records.

SIA did not ensure compliance with the CEF loan policy

2.2 We reviewed a sample of loans and grants for planting, replanting, drip irrigation and clearing of lands amounting to $485.9 million (24 per cent) of the approximately $2 billion disbursed over the period. We observed that $206.8 million (loans of $156.3 million and grants of $50.5 million) or 43 per cent of the disbursements examined were not in keeping with the loan policy (**Figure 6**). The CEF manual was found to be deficient in guidance on detailed steps to be taken on delinquent accounts. Instances were also noted where loans were issued to delinquent farmers. We also noted that loans and grants totalling $82.7 million were made to Loan Committee members, senior employees within the MoAF and other related parties. There was also doubt regarding the due diligence carried out in scrutinizing applicants' eligibility as well as the application of the loan policy in an objective manner.

Issues identified with loan disbursements

- No evidence of on-lending agreements
- No evidence of completed loan application forms
- No evidence of approval by Loan Committee
- No evidence of equipment insurance
- No evidence of lien on motor vehicles
- Insufficient recovery efforts in relation to delinquent borrowers
- Arrears on loan accounts
- No monitoring reports was seen on the utilization of equipment

- No lien/bill of sale over equipment

Figure 6 Loans and Grants in contravention of CEF Loan Policy

Breaches on 43 per cent ($206.8 million) of loans and grants disbursed

Beneficiaries	Loans ($'M)	Grants ($'M)	Remarks
Vernam Field farmer		4	No evidence of application.
Farmer linked to a major Factory		15.8	No evidence of application or approval for installation of drip irrigation.
Bernard Lodge Farmer		0.3	No evidence of approval and no supporting documentation for third party payment.
Company 1	8		Payments not made in keeping with repayment schedule of $2.7M between 2009 and 2012, leading to arrears of $7.1M as at March 31, 2016. SIA only took steps in March 2015; however, the situation remains the same.
Company 2	22.6		No monitoring reports seen for use of equipment, no lien or evidence of insurance on equipment purchased.
Company 2	1.3		No evidence of application for loan on tractor repairs.
Company 3	36.4		No evidence of application or approval for eight other loans disbursed between calendar years 2009 and 2014.
Company receiving loan to rehabilitate wells	35.7		No evidence of loan application or approval. SIA failed to agree on the repayment terms prior to the disbursement of the loan. On August 25, 2015, twenty six months after disbursements commenced, SIA wrote the borrower requesting information on the projected revenue for the supply of water to determine a possible repayment arrangement.
Sub-Total	**104**	**20.1**	
Total	**124.1**		

Related Party Beneficiaries	Loans ($'M)	Grants ($'M)	Remarks
Senior Officer All-Island Cane farmers Association	13.6		No loan application seen or evidence of approval. Accounts in arrears inclusive of interest of $14 million at March 31, 2016. Repayments totalling $4.1 million were noted between October 2013 and March 2015. In April 2015, SIA wrote requesting recovery of arrears, however, no payments seen to date.
Senior MoAF Officer 1	4.8	0.3	No evidence of application or approval. The officer received the loans and the grant during April 2011 to April 2013; however, the grant was fully repaid in August 2015.
NIC Board Member	30.1	30.1	No evidence of approval.
Senior MoAF Officer 2	3.8		No evidence of approval.
Sub-Total	**52.3**	**30.4**	
Total	**82.7**		
Grand Total	**156.3**	**50.5**	
	206.8		

Source: AuGD's compilation of CEF loans and grants information.

Recommendations by a firm have not been implemented

2.3 During 2012, a firm reviewed the administration of the CEF as requested by the MoAF. The firm's report highlighted 12 recommendations, which should have been addressed urgently. The MoAF commenced implementation of the recommendations in December 2014, 28 months after the date of the report. As at April 2016, six of the 12 recommendations were yet to be implemented **(Figure 7)**. The tardiness in implementing the recommendations may have contributed to the arrears of $125.5 million on loan accounts as at March 31, 2016 and the continued inefficiencies in the administration of the CEF. The MoAF has since indicated that they are currently in the process of implementing five of the six recommendations, which should be completed by August 2016. They also indicated that the recommendation in relation to training will not be implemented due to funding constraints **(Figure 7 – Recommendation 4)**.

Figure 7 - Recommendations of the CEF not implemented

Categories	Recommendations not yet Implemented
Use of Funds and Performance Monitoring	1. Develop formal protocol for the collection of loans repayments, and timely remittance of proceeds to SIA for both marketing agents. 2. Develop and implement receivables policy and monitor the frequency to ensure sustainability and continuity of the CEF programme. 3. Develop system to facilitate communication between the SIA and the factories regarding farmers' indebtedness, vis-à-vis additional loan disbursements.
Structure and Staffing	4. Develop and implement a formal training programme for staff involved in the administration of the fund and other relevant areas such as data management and accounting control.
Technology	5. Create a linkage/interface between the CEF loan system and the General Ledger to reduce the number of manual transactions currently undertaken as well as, to safe guard against the potential of entering the incorrect information into the CEF system. 6. Modify the current loan system reporting templates where possible, to support the preparation of customized reports and improve information management.

Source: AuGD compilation of recommendations from audit report and other records of the CEF/MoAF.

Part Three

Barracks Relocation Project

Targets not achieved under Jamaica Country Strategy for the Adaptation of the Sugar Industry led to the GoJ not receiving €1.6 million from the EU

3.1 Jamaica and the EU entered into financing agreements, which are based on the achievement of specific targets that will support the GoJ in the implementation of the JCS. Our review revealed that the GoJ failed two indicators outlined in year 2 of the Accompanying Measures for Sugar (AMS) 2011 financing agreement. Consequently, the EU reduced its funding of the Sugar Transformation Programme by €1.6 million (approximately J$226 million)[2]. The details of the targets not achieved are outlined below.

- €1.15 million (approximately J$164 million) in AMS 2011 Financing Agreement was not paid by the EU as the 397 housing solutions under the Sugar Estate Barracks relocation exercise were incomplete. This Agreement dictated that a total of 350 families should be re-housed by September 30, 2014. However, as at April, 2016, only 84 families were re-settled.
- In year 2 of the AMS financing agreement, the GoJ was required to table a bill on Feed in Tariff rates in Parliament by December 31, 2014. However, the target was not met; consequently, the EU did not pay the GOJ €0.45 million (approximately J$62 million) in relation to the failed target.

Contracts awarded under the Project

3.2 As part of the agreements between the EU and the GoJ, the GoJ is mandated to ensure the resettlement of families living in deplorable conditions in Sugar Estate Barracks. The objective of the Barracks Relocation project was to relocate 350 families in the sugar estate barracks at an estimated cost of $2 billion dollars. The relocation will take place in four Sugar Producing Parishes, namely: Westmoreland, Trelawny, Clarendon and St. Thomas. The award of the Sugar Barracks Relocation Project was done in two phases. In the first phase, the Sugar Transformation Unit awarded the contract for infrastructure works while in the second phase; contracts for the construction of housing solutions were awarded. We noted that a total of $635.2 million and $1.35 billion were approved by Cabinet for infrastructure works and construction of 397 housing solutions, respectively. These contracts were awarded to several contractors at an aggregate amount of approximately $2 billion **(Figures 8 and 9)**.

[2] Jamaican dollar equivalent (J$142.43to €1) as at September 30, 2014 and (J$138.74 to €1) as at December 30, 2014.

Figure 8 Contracts for Barracks Relocation Project

No.	Barracks Relocation Project	Number of Housing Solutions	Total Contract Sum $'M
1	Springfield, Clarendon	88	435.8
2	Masemure, Westmoreland	22	100.7
3	Shrewsbury, Westmoreland	17	120.1
4	Barham, Westmoreland	6	31.8
5	Spicy Hill, Trelawny	39	215.9
6	Hampton Court, St. Thomas	80	432.2
7	Stokes Hill, St. Thomas	145	649.6
	TOTALS	**397**	**1,986.1**

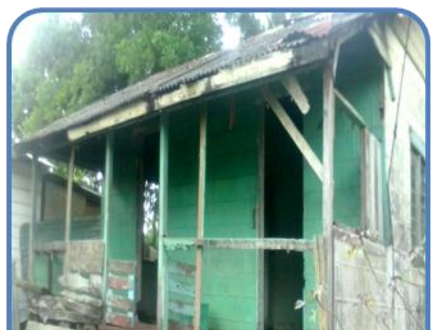
Source: AuGD compilation of Information from MoAF's Tender Evaluation Report

Relocation of Beneficiaries in Sugar Dependent Areas

3.3 Housing and infrastructure contracts and other records revealed that of the 397 housing solutions, 84 were completed and handed over to beneficiaries **(Figure 9)**. The Ministry subsequently indicated in April 2016 that the 313 houses were substantially complete (housing and infrastructure) and the handing over process will commence at the end of May 2016 and continue into June 2016. Up to the date of this report, the houses were not handed over to the beneficiaries.

Springfield, Clarendon (front view)

Springfield, Clarendon (side view)



Barracks in Clarendon

Source: AuGD's pictures while on site visits

Figure 9 Barracks Relocation Project

No.	Barracks Relocation Projects	Number of Residents Settled	Number of Housing Solutions	Status of Project
1	Springfield, Clarendon	209	88	Completed
2	Masemure, Westmoreland	32	22	Completed
3	Shrewsbury, Westmoreland	33	17	Handed Over
4	Barham, Westmoreland	19	6	Handed Over
5	Spicy Hill, Trelawny	97	39	Handed Over
6	Hampton Court, St. Thomas	184	80	Completed
7	Stokes Hill, St. Thomas	302	145	Completed
	TOTALS	**876**	**397**	

Source: AuGD compilation of Information from MoAF's Work's Finalization Report and STU records

Delays of 19 months, variations and fluctuations amounting to $176.1 million on Barracks Housing Project

3.4 In December 2013, three contracts valued at $998 million were awarded to a contractor to construct 313 housing solutions in the Stokes Hall, Hampton and Springfield housing schemes. The contracts had a planned duration of ten months each and should have been completed in the latter part of 2014; these contracts were approved by Cabinet in December 2013. Subsequently, the NCC revoked the registration of the Contractor in light of misrepresentations made to obtain registration. Therefore, the contracts awarded to this Contractor were withdrawn and re-tendered. The Ministry indicated that the re-tendering process and the challenges in funding contributed to the 19 months time over-run on the project. Consequently, the GoJ realized variations and fluctuations totalling $176.1 million the project **(Figure 10)**.

3.5 Other factors contributing to variations:

- Changes in the initial infrastructure and sewage designs on a number of the infrastructure projects;
- Demolition and reconstruction of barracks that were seen on construction site;
- Exhumation of remains found on site.
- Changes in estimates on bill of quantities.
- Acceleration costs paid to obtain additional resources and labour to speed up the project with the aim of completing within the budgeted time.

Figure 10 Analyses of Contracts under the Barracks Relocation Project

Relocation Site	Description of Contract	Approved Contract Amount $'M	Variations and Fluctuations $M	Revised Contract Sum $'M	Gross Payments To Date $'M	(Cost Overrun) / Balance $'M
Springfield, Clarendon	Infrastructure Works	160.4	26.7	187.1	177.9	9.2*
Masemure, Westmoreland	"	29.2	4.0	33.2	26.9	6.3
Shrewsbury, Westmoreland	"	70.0	11.0	81	81.9	(0.9)
Barham, Westmoreland	"	11.9	4.9	16.8	15	1.8
Spicy Hill, Trelawny	"	60.0	8.5	68.5	67.5	1
Hampton Court, St. Thomas	"	145.4	15.1	160.5	130.6	29.9
Stokes Hall, St. Thomas	"	158.3	-	158.3	146.7	11.6
Total for Infrastructure	**"**	**635.2**	**70.2**	**705.4**	**646.5**	**58.9**
Masemure, Westmoreland	22 Houses	71.6	16.3	87.9	82.2	5.7
Shrewsbury, Westmoreland	17 Houses	50.1	10.9	61	52.7	8.3
Barham, Westmoreland	06 Houses	20.0	1.7	21.7	18.3	3.4
Spicy Hill, Trelawny	39 Houses	155.9	(18.8)	137.1	156.7	19.6
Springfield, Clarendon	88 Houses	275.4	21.6	297	284.9	12.1
Hampton Court, St. Thomas	80 Houses	284.8	28.4	313.2	299.6	13.6
Stokes Hall, St. Thomas	145 Houses	491.3	45.8	537.1	516.5	20.6
Total for Housing Solutions	**397 Houses**	**1,349.1**	**105.9**	**1455.0**	**1,410.9**	**83.3**
Grand Total		**1,984.3**	**176.1**	**2,160.4**	**2,057.4**	**142.2**

Notes

1. Infrastructure works and Construction of Housing are sometimes executed simultaneously as seen in Springfield Clarendon.

2. *Infrastructure works in Springfield Clarendon was taken over by MoAF and later resulted in a cost overrun of $41.4M.

Source: AGD's Review of MoAF's Approved Contracts and Payments to Contractors

3.6 In April 2013, a Contractor was awarded an eight month contract valued at $160.4 million for Infrastructure works to be carried out in Springfield, Clarendon. The contract was later adjusted upwards to $187.1 million due to infrastructural design changes.

3.7 This project which was initially, slated for completion by January 26, 2014, was completed in April 2016 (27 months later). The project was taken over by the MoAF in November 2014, due to the Contractor's cash flow constraints, slow rate of progress and after the contractor was paid amounts totalling $177.9 million. The balance remaining on this project was $9.2 million and the Ministry has expended $50.6 million since the take-over, resulting in a cost overrun of $41.4 million on the project. The Ministry has also indicated that it is currently investigating overpayments of $14.7 million, paid to the contractor prior to the take-over.

Appendix

Appendix 1 - Loan Requirements of the CEF

Types of Loan	Requirements
Replanting New Planting Drip Irrigation Land Clearance	1. **Land tenure**. Tenure should be for at least seven (7) years. A farmer must provide all or part of the listed documentation: a. A registered land title for ownership. b. A lease and/or rent agreement duly endorsed and/or notarized by a Justice of the Peace. c. Property tax receipt indicating the applicant as the person recognized by the tax authority as the person in possession of the land. d. A lease/rental agreement from the factory where land occupied is factory owned. e. A survey where necessary documenting the boundary, acreage, and topography of the land for cultivation 2. SIA Registration number. 3. Valid identification (Driver's licence, passport, voter's identification card) 4. Proof of Age If applicant is over seventy (70) years, co-applicant should be considered. 5. Declaration of indebtedness to financial institutions (i.e. Credit Union, PC Bank, Commercial Bank, Sugar Estate, etc.) 6. Proof of payment of equity portions for drip irrigation and equipment loans. 7. Farm Plans for planting loans. 8. Drip Irrigation designs, pro-forma invoice
Equipment Loan	1. Must be a Registered Cane Contractors and Farmers with a track record of supplying services and or cane over a minimum period of three (3) years. 2. Applicants must present a project proposal which demonstrates viability, including the capacity to repay the loan. 3. The applicant must demonstrate that the equipment will be fully operational. Priority will be given to those types of equipment which are in deficit in each factory area based on Cane Farmers demand for services. 4. Funding will be provided for purchase of new and used

	equipment. However, used trucks should not be older than 10 years. 5. Applicants must commission their own business plans and submit same with application forms. Applications must be completed with the assistance of the Sugar Industry Research Institute or All Island Jamaica Cane Farmers Association Officer. 6. Farmers delivering a minimum of 500 tonnes of cane to factories in any two (2) years are allowed to purchase trucks. 7. Registered Cane Contractors are also allowed to purchase trucks. Funding will only be provided for used equipment that is in the island. Applicants may import equipment at their own expense and apply for re-financing through the CEF. Applicants must submit a current valuation and engineer's report for the equipment to be purchased. Valuation and engineer's reports should not be older than 1 year and must be from the CEF list of approved valuators. Applicants must provide proof that they are able to cover their equity portion of the cost for the equipment which must be paid after approval of the loan and before any payment is made by the CEF.