JAMAICA
SPECIAL
ECONOMIC
ZONE
AUTHORITY

ANNUAL REPORT

2018/2019

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CORPORATE DATA

Date of Incorporation	February 2016
Registered Office	13 Waterloo Road Kingston 10 Jamaica
Telephone	876-619-7392
Website	www.jseza.com
Email Address	info@jseza.com

Board of Directors

Metry Seaga	Chairman
Vikram Dhiman	Deputy Chairman
Ainsley Powell	
Deborah Newland	
Diane Edwards	
Pamella C. Folkes	
Tashell Powell	
Velma Ricketts-Walker	

Auditors	C.R. Hylton & Co.

Abbreviations

AAJ	Airports Authority of Jamaica
BPO	Business Process Outsourcing
BSJ	Bureau of Standards Jamaica
COJ	Companies Office of Jamaica
GLHI	Global Logistics Hub Initiative
GoJ	Government of Jamaica
HEART/NSTA	Human Employment and Resource Training – National Service Training Agency
IDB	Inter-American Development Bank
ISO	International Organization for Standardization
JCA	Jamaica Customs Agency
JCAA	Jamaica Civil Aviation Authority
JIPO	Jamaica Intellectual Property Office
JSEZA	Jamaica Special Economic Zone Authority
MAJ	Maritime Authority of Jamaica
MICAF	Ministry of Industry, Commerce, Agriculture & Fisheries
MoFPS	Ministry of Finance & the Public Service
NEPA	National Environment & Planning Agency
NWA	National Works Agency
PAJ	Port Authority of Jamaica
PICA	Passport, Immigration & Citizenship Agency
SEZ	Special Economic Zone
TAJ	Tax Administration Jamaica
UNCTAD	United Nations Conference on Trade and Development
WCO	World Customs Organization
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Report Purpose

The rationale for the establishment of the Jamaica Special Economic Zone Authority (JSEZA), as stated by the Government, was that of facilitating the country's transformation from a transshipment hub to the premier logistics centre in the hemisphere.

The overarching goal of this strategy is to drive sustainable economic growth and fast-track job creation.

This Annual Report is therefore presented to highlight JSEZA's seminal initiatives as a regulatory body, against the background of its mandate to promote the development of SEZs, by facilitating the establishment of effective business and investor-enabling services, while forging international and multi-sectoral partnerships.

Focus During the Review Period

The Report begins with a brief overview citing Jamaica's strategic positioning as integral to its competitive advantage, juxtaposed to Global Logistic Market trends ripe for exploitation – once the country's physical infrastructure and regulatory mechanisms are aligned with world-class standards.

In the period under review the Authority's[1] focus as reported, was on putting the building blocks in place to create an enabling environment to deliver on its mandate, through:

- Institutionalisation/Policy Establishment;
- Free Zone Authentication/SEZ transitioning;
- Launching the Global Logistics Hub & Master Plan initiative;
- Trade Facilitation; and
- Economic Positioning.

Institutionalisation

The passage of the SEZ Act, and the establishment of the Special Economic Zone Regime, it is stated heralded the start of the Authority's institutionalisation process. The Act provided the framework for the establishment of Zones in specific geographically designated areas. It also mandated facilitation mechanisms to stimulate the development of commercial and logistics infrastructure for attracting large-scale local and foreign investment.

The report outlines the early organisational structure; phased staff recruitment; the development and implementation of standard operating procedures; and the drafting of SEZ regulations in keeping with international best practices, as precursors to JSEZA's official opening.

Other critical initiatives cited included:

- development of Vision & Mission Statements;
- establishment of Brand Awareness;
- Global Supply Chain Mapping;
- development of a SEZ Policy and Implementation Framework; and
- Workforce Capacity Building.

Free Zone Authentication & Transitioning to SEZs

After laying the foundation for the Instutionalisation process, the authentication and transitioning of the existing Free Zones, were the next major initiatives of the inaugural year's activities.

The Report highlights that the Government's vision as outlined for the country's growth trajectory, necessitated tapping into the Global Logistics Market as a stimulus for fiscal recovery. To this end, the Export Free Zones Regime was repealed in 2016 as an economic imperative, and replaced by the SEZ prototype to be managed and regulated by the Authority, as the strategic facilitator of private sector-led investment.

[1] *The Special Economic Zone Authority is referred to interchangeably, as the "Authority" and the "Agency" in the Report.*

Given the need for probity and transparency – the two-year authentication, validation and reverification procedures for the "inherited" Free Zone entities wishing to transition to SEZ status was outlined in detail in the Report. Ultimately, would-be transitioning Free Zone Promoters were given until December 2019 to address all existing anomalies in order to enter into licensing-agreements with JSEZA.

Global Logistics Hub Initiative (GLHI) Master Plan & Market Analysis

Widely promoted as the "roadmap" for the establishment of the Global Logistic Hub Initiative – the Report states that the Authority, in association with the Planning Institute of Jamaica launched the GLHI Master Plan and Market Analysis in November 2017 as one of its early initiatives. Cabinet's approval followed in 2018 along with the Plan's implementation agenda, outlining the key strategies for realising the Vision of the Global Logistic Hub.

The Market Analysis

The Market Analysis, as the term suggests, evaluated inter alia, current international trade and foreign direct investment trends; identified market demand for logistics services arising from the expansion of the Panama Canal; benchmarked Jamaica's transport and logistics competitiveness against regional alternatives; and identified potential sectors to be tapped for maximum value addition.

Against this background, the Report underscores that the Authority is on track to complete Phase 2 of its Industry Analysis in the 2019/2020 fiscal year. This exercise will prioritise those sectors itemised in the Logistics Hub Market Analysis that should be aggressively promoted.

Trade Facilitation Initiatives

In keeping with global trends, and as Jamaica is a signatory to the World Trade Organization's Trade Facilitation Agreement, the Annual Report details all the steps the Authority took during the review period to ensure compliance with the stated measures.

Economic Positioning – towards GLHI Implementation

As the designated implementing agency for the Global Logistic Hub Initiative, it is reported that the Authority sought guidance and technical assistance from the Singapore Cooperation Enterprise (SCE), based on its demonstrated track record of success in the strategic planning and execution of world-class Special Economic Zone development.

This assistance, the Report states, will facilitate the development of a sustainable plan for the establishment of state-of-the-art SEZs in Jamaica; the sharing of Singapore's workforce planning expertise for industry development; and sharing and development of best practices for ease of doing business in Special Economic Zones.

Following a study tour to Singapore which included JSEZA representatives, personnel from its portfolio ministry and key agencies, the Report notes that the Authority accepted the SCE's offer of a *pro bono* scoping visit to Jamaica. This featured a series of multi-sectoral consultations involving a wide spectrum of public and private sector stakeholders, to give the consultants an overview of the financial landscape, as a guide to their formulation of the country's proposed economic positioning strategy.

Competitiveness – Global & International Trends

The aim of the scoping visit was to assess the country's competitive advantage in a number of industries identified in the GLHI Market Analysis & Master Plan, poised against international trends.

To conclude, the 2018/2019 Annual Report highlights those sectors which the consultants identified as having the highest potential to drive economic growth:

- hospitality;
- trade; manufacturing; and
- the creative industries.

The Way Forward

As a preview of the planned initiatives for the 2019/2020 financial year, the Report indicates that the Authority's focus will be on consolidation, vis-à-vis the Free Zone transitioning process, and on advancing plans for the two state-of-the-art Zones for which the groundwork was laid in the inaugural year.

Vision

To inspire a Special Economic Zone (SEZ) ecosystem wherein globally innovative firms instill unprecedented growth, ignited by a culture of sustainability.

Mission

To maintain a regulatory framework that contributes to sustainable economic development through accountability, transparency and responsiveness, in a globally competitive and enabling business environment, for the development of Jamaica as a world-class business destination for SEZs and global trading firms by 2030.

CORE VALUES


FOSTERING OPENNESS
TRANSPARENCY
ACCOUNTABILITY
SOCIAL RESPONSIBILITY
WE ARE
FACTIST
CREATIVITY
TEAM SPIRIT
INTEGRITY

CHAIRMAN'S
MESSAGE

On behalf of the Board of Directors, it gives me great pleasure to present the 2018/2019 Annual Report for the Jamaica Special Economic Zone Authority (JSEZA). The Report outlines the stellar work and accomplishments of this fledging regulatory body. While much of the Authority's efforts were spent on building the main institutional structures, we did not forget our development mandate.

An important goal for JSEZA is to ensure that the country has large-scale and world-class Special Economic Zones (SEZs) that are either contiguous with existing urban areas, or strategically located to ensure linkages with the domestic territory. During the year, the Authority, in collaboration with the competent agencies, defined the infrastructural requirements and developed policies to encourage more effective use of resources, through the development of largescale projects, air and seaports, industrial parks and knowledge cities.

Based on the new thrust, SEZ Developers are required to apply the necessary planning considerations and guidelines to ensure that a comprehensive, mixed-use approach, and sustainable environmental practices are implemented in the design, construction and operation of SEZs. Developers are also required to ensure the viability of SEZ enterprises, based on a detailed study and assessment of the proposed industrial clusters, in line with the country's development objectives.

SEZ developments are expected to be aesthetically pleasing and integrated in their design, with facilities that will enable their competitiveness. SEZs are required to have training and incubation facilities; food courts; and offices for Customs and Tax agents. They are also required to include commercial facilities – utility and bill payment outlets; banking facilities; schools; and residences.

New, state-of-the-art SEZ projects will therefore come on stream in the upcoming years. As the 2018/19 financial year comes to a close, I want to thank the Executive Management Team and staff for their excellent work and sustained effort in the period of this review.

Metry Seaga

CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2018/2019 financial year was a dynamic one for the Jamaican economy and for JSEZA. This Annual Report details the scope of the activities undertaken by the Authority as mandated by the Special Economic Zone Act of 2016, to increase investments, accelerate economic growth and create employment opportunities.

Our primary functions as stipulated under the Act include the regulating and marketing of Zones; establishing efficient investor and business facilitation services; and taking a collaborative approach to Zone development, through partnerships with Government, international organisations and the private sector.

The Operating Environment

With the harmonisation of the former Export Free Zone operations and the new Special Economic Zone Regime, Jamaica currently operates a hybrid business model under the umbrella of the Global Logistics Hub Initiative. This new framework has opened up opportunities for companies to integrate into complex networks in services; production; distribution; and sales – across multiple jurisdictions. Based on trends in international trade, this hybrid is poised to attract investments from local and traditional partners in the Americas, as well as from emerging markets.

However, having transitioned from the former Free Zone-type facilities, the Jamaican landscape lacks modern, purpose-built Zones in keeping with the global concept of the *"work-live-play-learn"* environment. In order to attract investments, and to create sustainable benefits for our stakeholders, during the reporting period the Authority took deliberate steps to promote the development of specialised Zones in the form of technology parks; campus-type townships; and industrial estates.

So, as we prepare to meet the challenges of the new financial year, I wish to pay tribute to the exceptional Management Team and the staff whose efforts have contributed to the sum of our achievements to date.

Dr. Eric Deans

OPERATIONAL OBJECTIVES & PROCESSES

The transition from the Jamaica Export Free Zones framework to the Special Economic Zone Regime demands effective Change Management to minimise the potential fallout, and to create an enabling SEZ environment. As such, it is imperative that the Authority has the capacity to effectively administer the new Policy and Regulations with minimal disruption. To achieve this, the Agency has adopted the following precepts to guide its operations:

ORGANISATIONAL HEALTH

To continuously renew itself to sustain exceptional performance over time, in order to influence how effectively its stakeholders, processes and tecnologies are aligned with its strategic goals.

ORGANISATIONAL AGILITY

To demonstrate the capability to rapidly adapt in response to new demand, the emergence of industry-changing technologies, or sudden shifts in overall market conditions.

NETWORKING HEALTH

To fulfil its Mission, JSEZA has forged effective networking relationships with its regulatory partners – ministries, departments and agencies, in keeping with the "whole-of-government approach" being championed globally for successful SEZ development.

QUALITY MANAGEMENT & SIX SIGMA STANDARDS

The Agency is also striving to achieve ISO 9001 certification - a standard based on seven (7) quality management principles including: a strong customer focus; people engagement; evidence-based decision making; effective leadership; and relationship management.

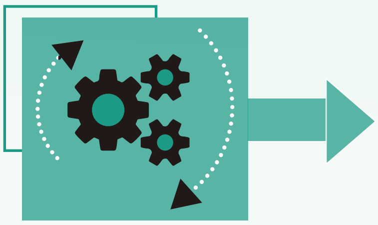
In addition, it has sought to improve its standard operating procedures by adopting the values of Lean/Six Sigma Management to achieve a results-oriented; employee-focused organisation; dedicated to value-based services; achieving profitability by minimising costs; and enhancing quality and efficiency.

Strategic Development Process

During the reporting period JSEZA, adopted an integrated strategic planning and performance management system that embraced the value proposition of becoming Process-driven; Performance-based; and Results-oriented – utilising the Balanced Scorecard approach.

The Balanced Scorecard approach communicates the Vision, Mission and Strategy to employees and external stakeholders, and utilises tactical performance measures and targets to assess the organisation's progress. It also provides feedback on both the internal business processes and external outcomes, in order for the organisation to continuously improve its strategic performance and results.

OPERATIONAL PRINCIPLES



Process-Driven

Constantly seek to sharpen the organsiation's processes to achieve efficiency, while maintaining value, in order to create an environment for operational growth and productivity.

Performance-Based

Strive for more efficient and effective delivery of services to customers. Place greater focus on policy development and management of portfolio entities, to ensure the realisation of priority outcomes.

Results-Oriented

Know what results are important and allocate resources to achieve them.

The institutionalisation of the Authority included:

1. conducting a re-engineering and restructuring exercise to ensure that the organisation can prepare to meet its mandate and to create the ideal corporate office environment;
2. identifying and selecting the most appropriate strategies for utilising the resources and skills available to achieve specified goals and objectives;
3. focusing on the mammoth task of finalising the inventory of all entities with Free Zone status;
4. adopting technological advancements;
5. developing a safe and secure SEZ environment to ensure the optimal use of investment assets;
6. increasing investments in SEZ's by attracting local and foreign direct investments in new, existing and emerging industries;
7. focusing on the development and implementation of a stakeholder engagement framework, awareness, communication and advocacy strategy;

8. supporting Jamaica's implementation of the WTO Trade Facilitation Agreement; and

9. adopting the UN Sustainable Development Goals, and a Corporate Social Responsibility Policy to demonstrate the critical importance of economic stability and sustainability; social well-being; and environmental sustainability.

Jamaica Special Economic Zone Authority Head Office – **PHOTO: JSEZA**

LEADERSHIP
TEAM

BOARD OF DIRECTORS

METRY SEAGA – CHAIRMAN

Metry Seaga is the President of the Jamaica Manufacturers' Association (JMA), elected unopposed on June 24th, 2015.

He has served on the JMA's Board of Directors since 2008, and has helped shape and implement many of the organisation's initiatives, fearlessly tackling issues impeding the industry, and promoting the manufacturing sector as the engine of economic growth. Though there have been many accomplishments since Mr. Seaga has taken the reins in 2015, the most noteworthy has been the launch of JMA's newest initiative, the Jamaica International Exhibition (JIE) tradeshow, a first in terms of its size and magnitude, held in June 2017.

Mr. Seaga has been an entrepreneur for over 27 years. After obtaining his Bachelor's Degree in Business at the Florida International University (FIU) in 1984, he returned to Jamaica where he started a rent-a-car business, a travel agency, entered into motor vehicle sales and finally established a manufacturing business. Having been a manufacturer from the age of 16, Mr. Seaga is today the Managing Director of Jamaica Fibreglass Products Ltd., a contract fabricating company.

In addition to being head of the JMA, he is the Vice Chairman of the Jamaica Promotions Corporation (JAMPRO) and was the youngest elected President of the Jamaica U-Drive Association.

In his spare time, he takes pleasure in playing golf.

VIKRAM DHIMAN – DEPUTY CHAIRMAN

Vikram Dhiman is the Chief Operating Officer of ICD Group Holdings Limited, a Jamaican-based investment holding company with regional and global interests in real estate, construction, property management, general insurance, insurance broking, business process outsourcing, and e-commerce.

Mr. Dhiman began his career with KPMG in Jamaica and worked with them in India and the Netherlands. Between 1998 and 2000, he worked with the United Nations Compensation Commission, in Geneva, as a valuation specialist for determination of the claims arising from the 1990 Gulf War. After gaining his MBA from INSEAD he worked at Marakon Associates, a strategy consulting firm, at their London Office, advising several FTSE 100 and 500 firms. He joined the ICD Group in 2004, and has been instrumental in acquisitions, mergers, divestments and shaping and growing the businesses of the Group, its subsidiaries and affiliates. He is responsible for creating and managing change, developing leadership teams and capabilities across all the companies with which he works. He is also responsible for managing and overseeing the financial, treasury and accounting functions across the ICD Group.

Mr. Dhiman serves on several private and public sector Boards. He currently serves as the Chairman of British Caribbean Insurance Co. Limited and WIHCON Properties Limited. He is a director of Advantage Communications Inc. (Canada), ADV Communications Jamaica Limited, Social Media Group LLC (Puerto Rico), West Indies Home Contractors Limited, ICD Group Holdings Limited, and the University Hospital of the West Indies (Private Wing) where he serves as the Chairman of its Management Committee. In addition, he has been the Honorary Treasurer of the Private Sector Organisation of Jamaica (PSOJ) since 2016. He is also the PSOJ's representative on the Special Economic Zone Authority's Board and serves as its Deputy Chairman.

Mr. Dhiman is the Treasurer of the Jamaica Golf Association. He was the Chairman of its Junior Golf Committee between 2007 and 2017, and has the distinction of having raised over US$300,000 for the development and growth of Junior Golf in Jamaica.

AINSLEY POWELL – DIRECTOR

Ainsley Powell was appointed Commissioner General of Tax Administration Jamaica (TAJ), in October 2014.

Prior to this appointment, he served as Acting Commissioner General, and Chief Technical Advisor for Tax Administration Jamaica. As Commissioner of the former Taxpayer Audit and Assessment Department (TAAD), he has represented Jamaica at various tax conferences and seminars both locally and internationally.

His earlier work experience in taxation includes:
Deputy Commissioner – Stamp Duty and Transfer Tax; Technical Specialist, TAAD; Bauxite Audit Specialist, Income Tax and Programme Instructor for the Caribbean Regional Technical Assistance Centre (CARTAC).
Mr. Powell is currently Jamaica's representative to the Caribbean Organisation of Tax Administrators (COTA) and the Inter-American Centre of Tax Administrations (CIAT).

DEBORAH NEWLAND – DIRECTOR

Deborah Newland is the General Manager of Logistics and Corporate Development at the Development Bank of Jamaica. She is a graduate of the University of the West Indies, Mona, where she studied Law. In addition to serving as a Director of the Special Economic Zone Authority's Board, she currently serves on the Boards of various public sector and quasi Government organisations, including the National Housing Trust; JAMPRO; and the Kingston Freezone.

Her passion is to assist those who are mentally impaired, and as such are unable to learn in a traditional classroom setting. She, therefore, plans to promote their cause by raising public awareness, and lobbying for the requisite resources to provide a platform for equal learning opportunities for this group.

DIANE EDWARDS – DIRECTOR

Diane Edwards is the President of Jamaica Promotions Corporation (JAMPRO) – the national investment and export promotion agency. Possessing a wealth of knowledge and experience in international marketing and business development, Ms. Edwards is committed to developing and advancing Jamaica's business brand.

During her tenure at JAMPRO, she has led its transformational development to serve as a catalyst for wealth creation, through increased customer focus and more effective marketing communication programmes. She has also been instrumental in promoting a culture of innovation to facilitate and support the development of new industries in Jamaica. In addition, Ms. Edwards has been a strong advocate for transformation of the nation's business environment. She currently serves as the President of the Caribbean Association of Investment Promotion Agencies (CAIPA), where she strives to position the Caribbean Region as a premier destination for foreign investment.

Prior to heading JAMPRO, she served as General Manager and Director of J. Wray & Nephew UK Ltd., where she successfully grew the UK Company's turnover by 77 per cent over a 10-year period.

Ms. Edwards holds an MBA from New York's Pace University, a Master's in International Relations from Institut d'Etudes Politiques de Paris, and is fluent in English, French, Spanish and German.

PAMELLA C. FOLKES - DIRECTOR

Pamella C. Folkes, is the Deputy Financial Secretary in the Ministry of Finance and the Public Service.

She has 19 years' experience in Tax Administration, having worked in the Collector General's Department; the Income Tax Department, as a Revenue Agent; and the Taxpayer Audit & Assessment Department as Assistant Commissioner.

Thereafter, she served as Principal Director and Chief Technical Director in the Financial Investigations Division, and later, as head of the Taxation Policy Division. During her tenure as Deputy Financial Secretary, she served as head of the Taxtion Policy Division and subsequently, as Acting Commissioner of Customs.

Mrs. Folkes is a trained Revenue Agent and Chartered Accountant. She holds a Master's Degree from the University of the West Indies, having majored in Finance and International Trade. As Deputy Financial Secretary, Mrs. Folkes provides expert advice, guidance and procedural interpretation to all stakeholders, and represents the interest of the Government of Jamaica on issues relating to tax policy. She also acts as arbitrator in settling differences in the interpretation of policies between Tax Administration Jamaica and the public.

Her duties also include making recommendations to the Minister of Finance for discretionary tax relief under several taxation statutes.

VELMA RICKETTS-WALKER – DIRECTOR

Velma Ricketts Walker is the CEO/Commissioner of Customs – a position she has held for the past three years. She has over 17 years' comprehensive training and expertise in Customs Administration; Trade Facilitation; Risk Analysis; Strategic Planning; International Trade; Security; Voluntary Compliance; and Enforcement.

Having begun her career in the Customs Department in 1999, she was appointed Assistant Commissioner, Compliance and Enforcement in 2011.

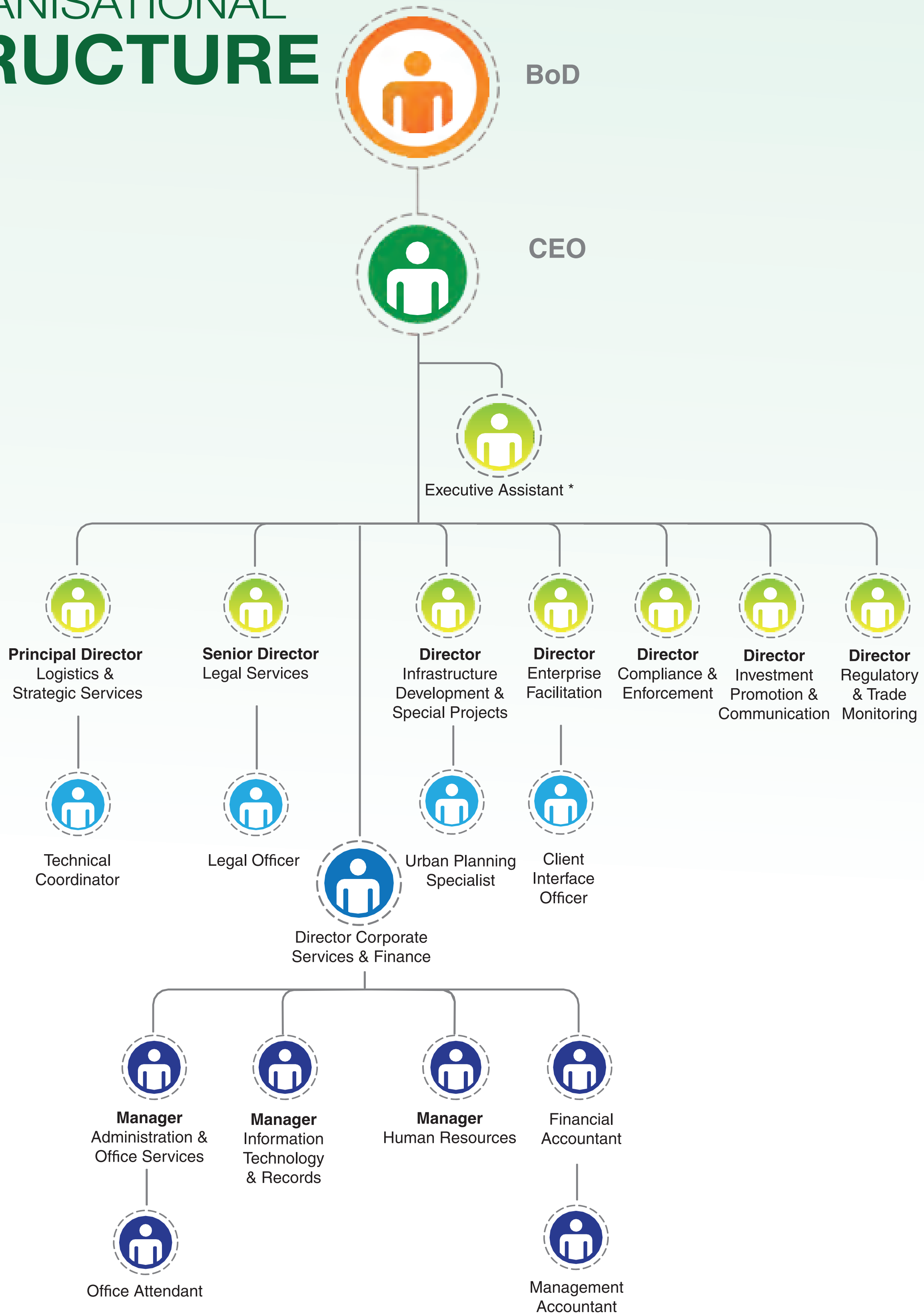
Prior to her appointment as Commissioner of Customs in 2017, Mrs. Walker worked at the International Monetary Fund (IMF) as a Revenue Administration Advisor, where she assisted regional Customs Administrations with the development and strengthening of their Risk Management Programmes, and Organisational Strategic Reform.

With strong motivational, coaching and negotiating skills, she is an IMF-certified and trained Tax Administration Diagnostic Assessment Tool (TADAT) Assessor.

Mrs. Walker currently leads the Jamaica Customs Agency's (JCA)'s Strategic Reform Programme and chairs the World Customs Organisation's (WCO)'s Capacity Building Committee.

* *No bio-data on Tashell Powell, who served as a Director during the review period is available.*

ORGANISATIONAL **STRUCTURE**



CORPORATE GOVERNANCE

Role of the Board of Directors

In Jamaica today, all public bodies are required to operate within the ambit of the Corporate Governance Framework. The Framework was approved by Cabinet in 2011, to promote effective systems of control and accountability in order to ensure greater probity; transparency; and efficiency. The overarching objective of this initiative was to bring Jamaican public bodies in line with international corporate governance best practices and emerging trends.

Issues of governance, responsibility and accountability have now taken centre stage, as the world simultaneously becomes dominated by corporations interconnected via the forces of globalisation, with heightened media attention and the rise in internet-led democracy.

In keeping with the established Framework, in its advisory role JSEZA's Board is collectively responsible for its strategic management and oversight, and for ensuring its alignment with Government's policy direction, while safeguarding the Agency's sustained growth and development.

The Board is also responsible for articulating the Authority's values and strategies, and providing the necessary leadership to secure the human, physical and financial resources required for the organisation to meet its objectives.

The Authority executes a range of functions that include the regulation and supervision of Zones; as well as their development; promotion; and marketing processes. It also performs other functions related to SEZ administration and operations, as mandated by the Special Economic Zone Act and any other governing statute.

Consistent with the respective statutes and Government guidelines, in summary, the Board is charged with the following:

- applying a leadership style that is consistent with best practices in the conduct of its affairs;
- overseeing the general administration of the Authority;
- executing policies consistent with the Corporate Governance Framework;
- ensuring the efficient and effective management of the Authority and its resources;
- advising the portfolio Ministry on matters of general policy relating to Zones; and
- making recommendations to the Minister regarding the siting of Zones.

Board Composition

During the period under review the Authority established its inaugural Board of Directors based on the SEZ Act which stipulates that the Board shall consist of:

- "five (5) members appointed by the Minister by instrument in writing, being individuals who appear to the Minister to be appropriate for appointment, (hereinafter referred to as the appointed members)";
- a senior public officer in the ministry responsible for Industry, nominated by the Permanent Secretary in the ministry responsible for Industry, who shall be "the member ex officio";

- a representative of the Minister responsible for finance;
- the Commissioner General of Tax Administration Jamaica or his/her nominee; and
- the Commissioner of Customs and Excise or his/her nominee.

The appointed members shall include:

- three (3) representatives from the private sector, appointed from among persons recommended by a body (or a group of bodies) representing private sector interests, recognised by the Government; and
- an attorney-at-law.

The appointed members shall be selected from among persons who have exhibited professional or academic expertise in shipping; transport; logistics; economic development; commercial or engineering activities; administration; or human resource management."

BOARD AND COMMITTEE MEETINGS

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS	
DIRECTORS	**BOARD MEETINGS**
April 2018 to March 2019	**(8)**
1. Metry Seaga	7
2. Vikram Dhiman	7
3. Ainsley Powell	8
4. Deborah Newland	4
5. Diane Edwards	7
6. Pamella C. Folkes	8
7. Tashell Powell	6
8. Velma Ricketts-Walker	7

During the 2018/2019 financial year, the Board of Directors held a total of eight (8) meetings. The Committees met routinely to discuss matters within their remit and advised the Board accordingly.

JSEZA...

A NEW ERA

JSEZA...A New Era

In 2010 the Government outlined a new paradigm for the country's fiscal growth trajectory - that of transforming Jamaica into a logistics-centred economy, delivering multi-modal services to the global trading community.

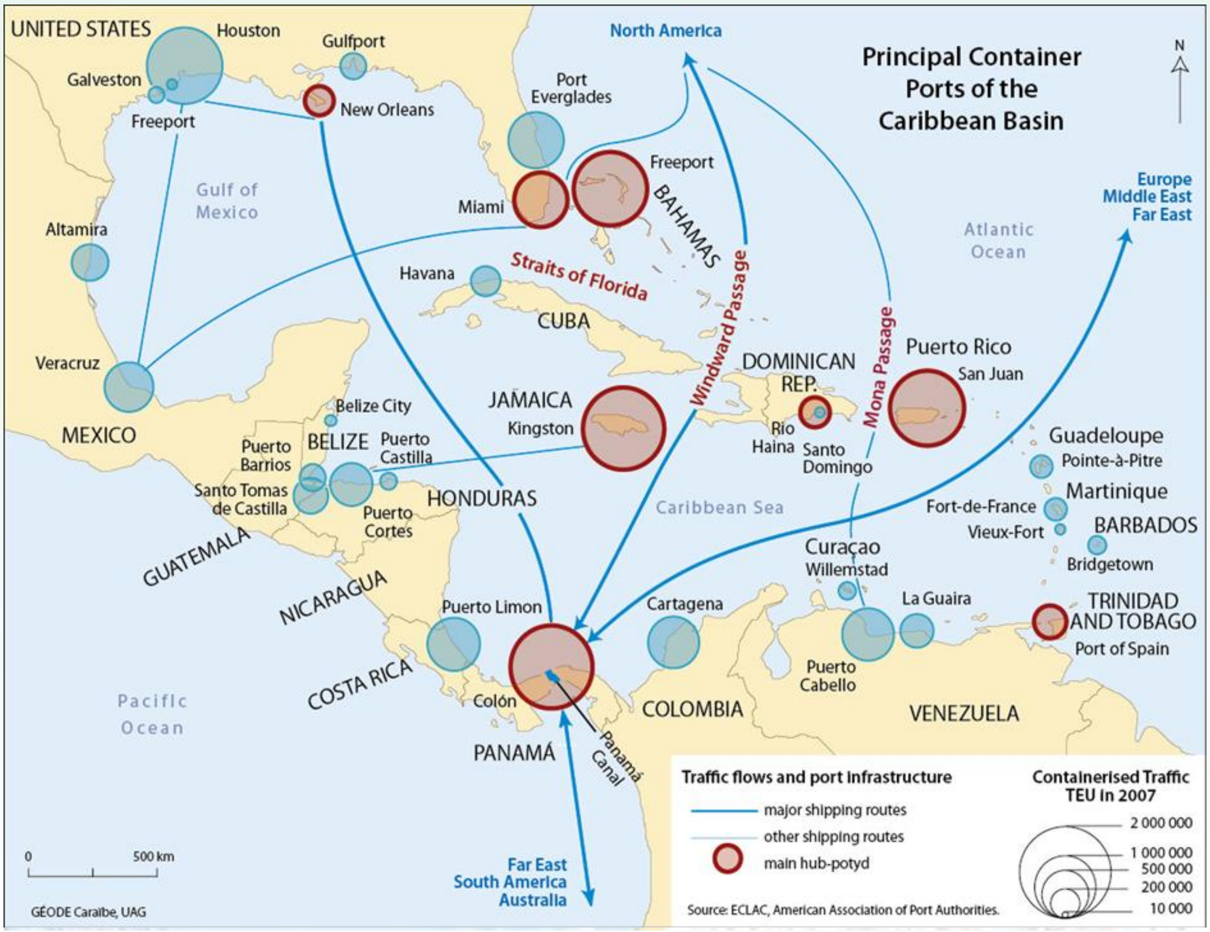


Figure 1. *Transport and Networks: Impact of Containerisation on Ports. Source: https://atlas-caraibe.certic.unicaen.fr/en/page-118.html*

As a strategically positioned emerging market located along the major shipping lanes utilising the Panama Canal, coupled with its proximity to North and South America, Jamaica is replete with possibilities for attracting local and foreign direct investment inflows - once its physical and logistical infrastructure are aligned with world-class standards.

To this end, plans are in train for the implementation of state-of-the-art, integrated air, sea, rail, and road infrastructure, as a critical enabling mechanism to facilitate Jamaica's becoming the fourth node in the world's logistic chain.

The World Bank's International Scorecard[2] benchmarks a country's performance using six key indicators:

- efficiency of the clearance process (i.e. speed, simplicity, and predictability of the procedures);
- the quality of trade and transport-related infrastructure (i.e. roads, ports, rail services, information technology);

[2] *https://lpi.worldbank.org – Logistics Performance Index Report*

- ease of arranging competitively priced shipments;
- competence and quality of logistics services;
- ability to track and trace consignments; and
- timeliness of shipments reaching destinations.

Global Logistics Market

The UNCTAD World Investment 2019 Report states that global foreign direct investment inflows reached US$1.3 trillion in 2018, with Latin America and the Caribbean region accounting for US$147 billion. Fuelled by skyrocketing global trade volumes, due primarily to changes in international production and trading patterns, the Global Logistics Market valued US$4.73 billion in 2018. Moreover, it is projected ***"to reach a value of US$6.30 billion by 2024"*** – registering a compounded annual growth rate of 4.9 per cent.

Logistics Hub Initiative... Towards Transformation

Widely regarded as the vehicle to revolutionise the Jamaican economy, the Global Logistics Hub Initiative (GLHI) was approved by Cabinet in September 2012. This paved the way for the establishment of the *Special Economic Zone (SEZ)* Regime as the strategic facilitator of private sector-led investment. The goal – to catalyse the country's transformation from a transshipment hub, to the premier logistics centre in the hemisphere.

The establishment of Special Economic Zones is seen worldwide as pivotal to achieving a logistics-centred economy. Based on this, some 5,400 SEZs have been established in more than 147 countries as an economic stimulus strategy – given the fiscal and regulatory incentives and infrastructural support they provide. The new paradigm for Jamaica's industrial landscape therefore focuses on attracting and supporting globally competitive firms in a diverse range of industries.

INSTITUTIONALISATION

The Special Economic Zone Act which came into force on August 1, 2016 represents a strategically designed policy framework, providing incentives and facilitation mechanisms for attracting large-scale foreign and local investments. This prototype is designed to stimulate the development of commercial and logistics infrastructure in specific geographical areas, designated as Special Economic Zones.

With the passage of the SEZ Act formally establishing the Jamaica's Special Economic Zone Authority (JSEZA), the crafting of the Regulations and Guidelines, which involved researching international best practices, overseas scoping tours and due diligence – the operational framework finally took on a tangible format.

INSTITUTIONALISATION OF THE AUTHORITY

PHASE 1

Building completed, Phase II to be completed by the end of FY 2018/19.

Start-Up Organisational Structure
Phased recruitment of staff approved by MoFP for implementation.

Recruitment of Staff
Recruitment, including personnel seconded commenced on an on-going basis, with positions approved by MoFP. Positions approved by MoFP currently stand at 36% of the approved staff complement.

Staff Welfare
Employee recruitment, orientation and Employee Handbook completed and approved in February 2019.

Standard Operating Procedures
Operating procedures and processes developed – a work-in-progress.

The Special Economic Zone Authority's unique profile and international outlook are piloting the country's industrial transformation from the production of primary mineral and agricultural commodities and low-tech manufacturing, to logistics, digital manufacturing, and global services – thereby increasing the country's economic diversity.

Open for Business

With a lean 11-member team, January 2017 signaled the official launch of JSEZA's operations. But in addition to managing the institutionalisation process, towards year-end this initial core team was tasked with the rationalisation of the Free Zones' operations. In addition to the authentication required, this involved taking account of the legitimate expectations of the

Developers, poised against the Authority's legal obligations under the new SEZ statute.

Given the reality of the erosion of certain entitlements that existed under the precursor Export Free Zones Act, the exercise was undertaken with transparency, the utmost sensitivity and professionalism.

Official Opening

Boasting a guest list headed by Prime Minister, the Most Honourable Andrew Holness, the captains of industry, heads of ministries, departments and agencies gathered to witness the organisation's official opening on July 11, 2018.

JSEZA's portfolio ministry, the Ministry of Economic Growth and Job Creation, is headed by the Prime Minister. He has continued to lead the charge for the development of large-scale, township-style SEZs, while highlighting the need to change the "culture of bureaucracy permeating... the public sector". He therefore tasked JSEZA's management team to use all

Prime Minister, the Most Hon. Andrew Holness (centre), officially opens the Jamaica Special Economic Zone Authority's (JSEZA's) head office on Waterloo Road, St. Andrew, on Wednesday (July 11). Sharing the occasion (from left) are JSEZA, Chief Executive Officer, Dr. Eric Deans, and Chairman, Mr. Metry Seaga; Minister without Portfolio in the Ministry of Finance and the Public Service, the Hon. Fayval Williams; Foreign Affairs and Foreign Trade Minister, Senator the Hon. Kamina Johnson Smith; and Ministers without Portfolio in the Ministry of Economic Growth and Job Creation, the Hon. Daryl Vaz, and the Hon. Mike Henry.

PHOTO: Jamaica Information Service (JIS)

available resources, including technology to ensure efficiency in service delivery.

Based on this, the Authority's focus as he instructed, has actively targeted efficient outcomes, (in his words) in the "seamless processing and approval of SEZ applications, as the effective operation of the Zones is pivotal to the success of the Logistics Hub Initiative".

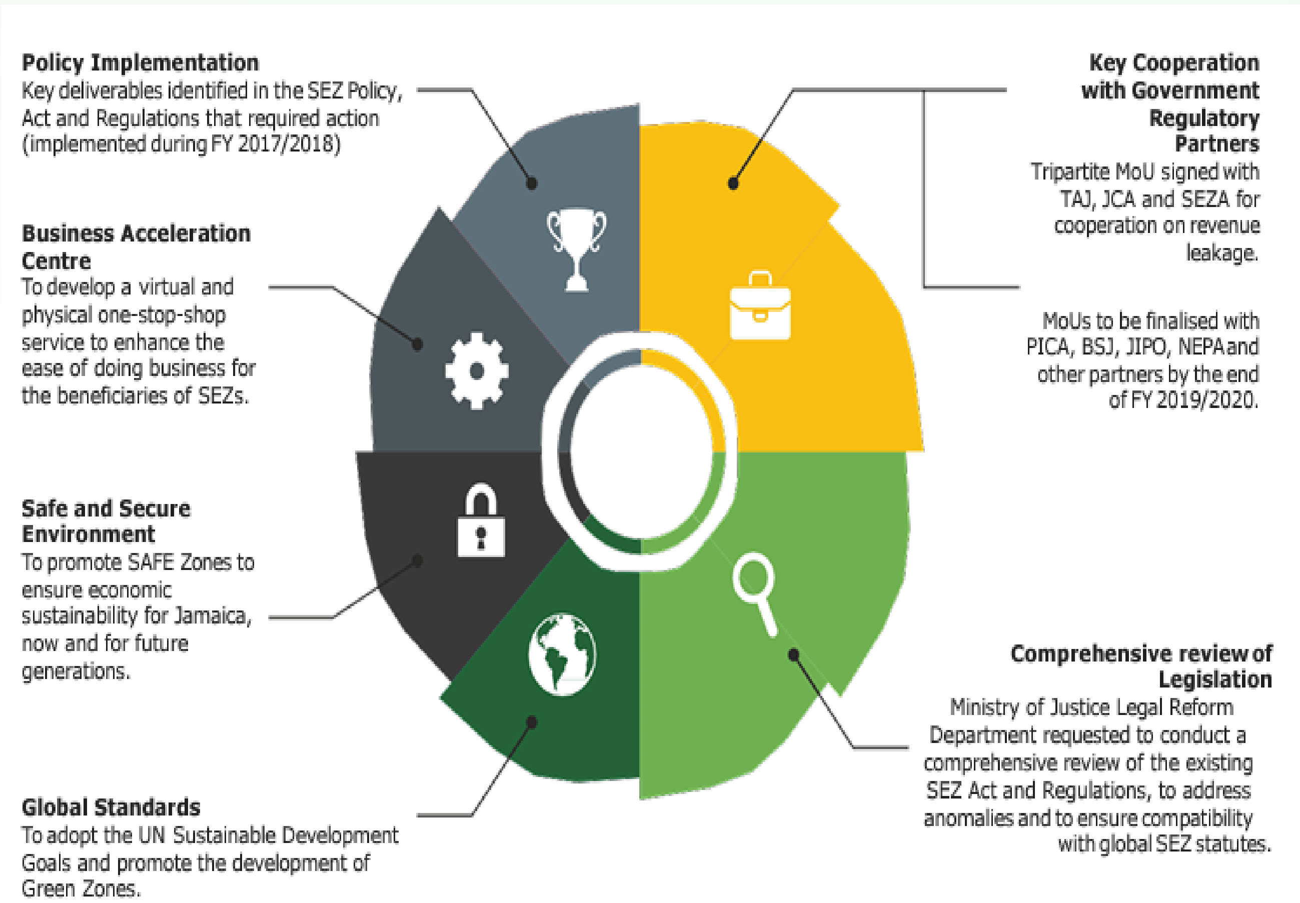
Mr. Holness predicted that two (2) major Zones would be established by 2021 and indicated that work had already begun on the Caymanas SEZ in St. Catherine, where a comprehensive feasibility study and Master Plan had been undertaken with the support of the World Bank.

Early Initiatives

- Developed Vision & Mission Statements
- Established "brand awareness"
- Workforce Capacity Building initiated, in association with tertiary and vocational institutions and the former HEART Trust/NTA, now HEART/NSTA Trust
- Global supply chains mapped to identify potential trading opportunities
- Supplier Ecosystem Enhancement & Development (SEED) Programme implemented
- Ongoing transitioning of existing Free Zone entities

EXECUTION OF A SPECIAL ECONOMIC ZONE POLICY, LEGISLATION, AND REGULATIONS

Established a comprehensive implementation and policy framework to boost SEZ development in Jamaica, to contribute to increased industrialisation, emerging industries and foreign direct investment.



FREE ZONES TO SPECIAL ECONOMIC ZONES

Kingston Free Zone & Cazoumar SEZ - **PHOTOS: JSEZA**

The Government's rationale for establishing the SEZ Regime to replace Free Zones was driven by multiple factors. The stated objectives of the Regime are employment creation; increasing exports; targeting development of priority industries; and facilitating technology and knowledge transfer.

Primarily, the SEZ initiative was seen as a strategy to fast-track and sustain widespread economic undertakings. By diversifying[3] the activities within the Zones, this multiplied the potential linkages to the broader domestic economy[4] , including operators in the Micro, Small and Medium (MSME) Business sectors.

Another overarching issue was the fact that the move was championed by international and multi-lateral organisations. Consequently, in December 2013 the Government gave a commitment to the IMF to review the Free Zone Regime, *"to ensure conformity with the WTO Agreement on Export Subsidies and Countervailing Measures"*. This was done to obviate potential challenges from other World Trade Organization (WTO) member states.

In keeping with the country's commitment, the Jamaica Export Free Zones Act was repealed and the Special Economic Zones Act came into force on August 1, 2016. Under the SEZ Regime, the promotion, development and regulation of the Zones became the remit of the Authority.

[3] *The Export Free Zones Act had specified "approved activities" largely geared to assembly for export, manufacturing and packaging. Under the SEZ Act* ***all commercial activities are allowed, barring a select few,*** *as stipulated in the statute.*

[4] *The broadened scope of sanctioned economic activities, which opened the way for new and emerging sectors, created backward linkages to the economy, by enabling local suppliers to trade with companies within the Zones, thus allowing them to become part of the global supply chains.*

ROADMAP

FREE ZONE ENTITES' REVERIFICATION & INVENTORY PROGRAMME
to document all Free Zone Entities by the end of Quarter 3 of 2020

- Desktop Review of existing Free Zone documentation
- Free Zone Inventory Verification and Mapping
- Validation and Indemnification Legislation

PHASE 1

Conducted desktop review and audit of all files received from MICAF in collaboration with COJ, JCA & TAJ.

PHASE 2

- Commissioned a Free Zone Inventory.
- Conducted site visits for reverification and mapping of each Free Zone facility.

PHASE 3

- Validation and Indemnification of Zone entities
- Validation and Indemnity Legislation aims to affirm the legal status of all companies with legitimate Free Zone status – scheduled for completion by the March 2020.

Free Zone Authentication

With the objective of developing a comprehensive inventory, the authentication of the Free Zone portfolio began in March 2017, and was undertaken in three phases: Desktop Auditing, Inventory Reverification and a GAP Assessment, followed by the transitioning of those entities which qualified for SEZ status.

Desktop Audit

A mammoth task, this multi-faceted data-gathering exercise was fraught with challenges as the Authority "inherited" a disparate array of paperwork from the portfolio Ministry, often with conflicting information as to company names and definitive locations.

To rationalise the listings of entities found, the Agency embarked on a validation process involving multiple organisations including the Jamaica Customs Agency, Tax Administration Jamaica, the Companies Office of Jamaica; and ultimately Data Collection Survey instruments were submitted to all those Free Zone entities identified. Despite its complexity, this phase of the process served to provide the Authority with the actual scope of the existing Free Zone landscape.

Inventory Reverification & Mapping

The Desktop review exposed the need for on-site audits of upwards of 160 registered Free Zone locations islandwide,[5] as a first step to establishing a coherent database of verifiable entities. In November 2017, JSEZA therefore commissioned an Inventory Verification and Mapping exercise to validate these findings.

Using ArcGIS software, the assessment team geotagged each location to create a geo-spatial database, enabling visual representation and analysis of the information gathered. In addition to mapping the locations, the technology facilitated electronic collation of other critical information – including sectors of operation; employment numbers; and proximity to urban support centres.

All locations were audited and verified by the end of the reporting period in 2019. While over 160 locations were visited, the team was only able to verify and geotag 109, across 126 locations in 11 parishes. The remainder were not verifiable as the addresses were either invalid or the companies were defunct. These were removed from the database.

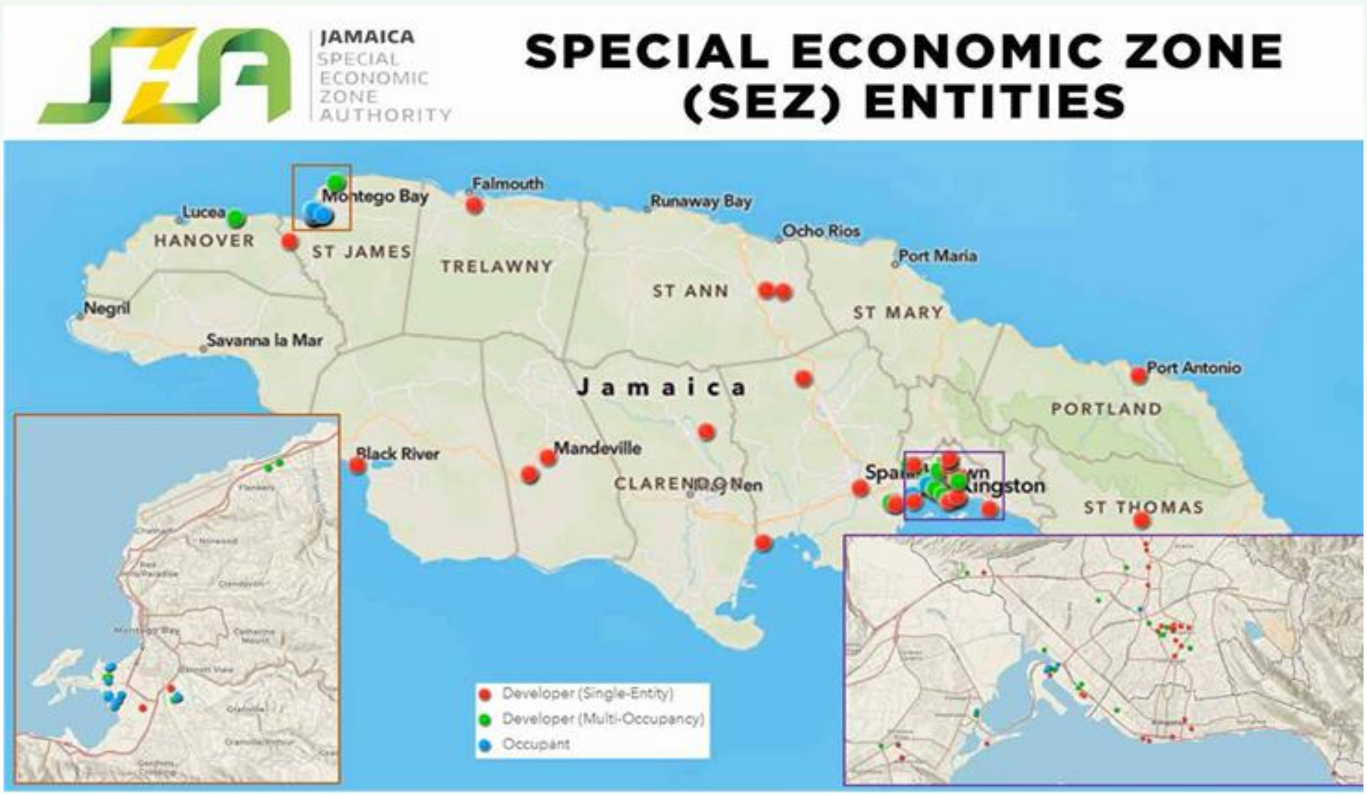


Figure 2. *Special Economic Zone (Sez) Entities. Source: Jamaica Special Economic Zone Authority.*

Map Extents:

1) Main Map - Top Left: 18.574, -78.496 Degrees, Lower Right: 17.697-76.159 Degrees
2) Left Inset Map - Top Left:18.521-77.955 Degrees, Lower Right: 18.438-77.870 Degrees
3) Right Inset Map - Top Left: 18.038-76.913 Degrees, Lower Right: 17.949 -76.721 Degrees

[5] *The majority of these Free Zone Operators were involved in the Information Communication Technology (ICT) sector, while there was limited involvement in warehousing/logistics & distribution, furniture manufacturing, and the petroleum sector. These enterprises were primarily located in Kingston, St. Catherine and St. James.*

SAFE AND SECURE STRATEGY STEPS

Implemented improved standards to create a Safe and Secure SEZ environment in line with global standards, and compatible with WCO, WTO, UN International Conventions, and Best Practices.

PHASE 1

Gap Assessment

Reviewed existing Free Zone Promoters' Agreements; Approved Enterprises, Technical Descriptions, Free Zone-gazetted designated areas, and Lease Agreements, to establish conformity with the SEZ Act, and global Safety and Security Regulations by the end of March 2019.

PHASE 2

Corrective Action Reports

- Completed audits of all Free Zone entities verified by March 2019.
- Site visits of Free Zones requiring Corrective Action completed by March 2019.
- Preparation of Corrective Action Reports and Corrective Action Plans projected to be completed in Q3 of 2020.

Phase I – GAP Assessment

With the aim of providing a safe and secure enabling environment in line with global standards for prospective SEZ investors, Phase 1 of the GAP Assessment exercise was undertaken to determine whether the verified Free Zones were able to qualify for Special Economic Zone status, in accordance with the stipulations of the SEZ Act.

The Free Zone Promoters' operating procedures were therefore benchmarked against the SEZ requirements, and the facilities scored in a number of categories.

- Promoters' agreements
- Zone-user authorisation
- Occupancy permits
- Conformity with safety and security regulations
- Business continuity potential
- Analysis of business models & capacity for physical expansion dependent on market demand
- Building Code compliance
- Risk mitigation systems
- Emergency response procedures
- Labour practices

Phase II – Corrective Action

Several irregularities were identified in Phase 1 of the exercise, and Promoters wishing to transition to SEZ status were given until the end of December 2019 to take "Corrective Action" to address the anomalies found, in order to enter into Licensing-agreements with the Authority, to retain their fiscal benefits.

In the intervening period, safeguards including ongoing physical audits of these Free Zone facilities were conducted as mandated by the SEZ Policy and Regulations.

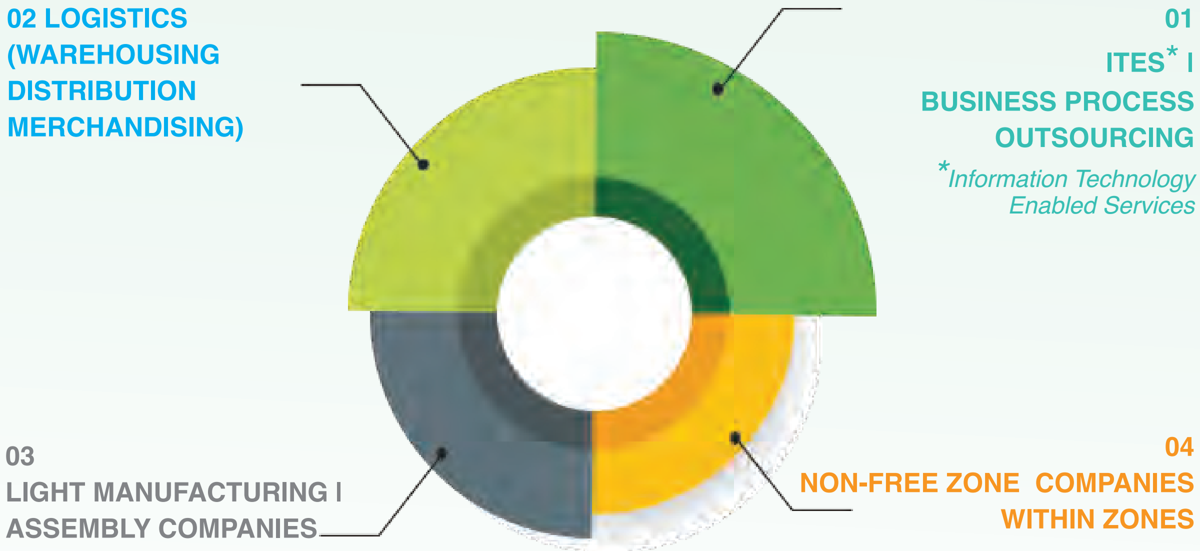
By December 2019, the operations of 75 per cent of all new Zones met international standards in the following categories:

- security;
- emergency response and disaster management systems;
- occupational safety and health; and
- business continuity potential.

The following are the categories of SEZ stakeholders:

SEZ Developer
"Developer" refers to a company limited by shares, incorporated under the Companies Act, and established by a sponsor for the purposes of entering into a master-concession or a Licensing-agreement.

SEZ Occupant
An "Occupant" is a person, other than a Developer of a Zone or Zone User, who conducts business in the Zone, under a sub-concession made with the Developer. As such, that person is a sub-concessioner in accordance with the master-concession, or Licensing-agreement held by the Developer.



SEZ Zone User
The term "Zone User" refers to a person, who is not a Developer or an Occupant, who performs activities or services in a Zone on the basis of authorisation from JSEZA.

MSME Occupant
An "MSME Occupant" is an Occupant who is a Micro, Small or Medium Enterprise operator.

Benefits of the SEZ Regime

DIRECT BENEFITS	DIRECT BENEFITS	INDIRECT BENEFITS
Employment Generation	■	
Increased Foreign Exchange Earnings	■	
Foreign Direct Investment	■	
Increased Government Revenue	■	
Export Growth	■	
Skills Upgrading		■
Testing Field for Wider Economic Reform & Demonstration Effects		■
Technology Transfer & Adoption of Modern Management Practices		■
Export Diversification		■
Enhanced Trade Efficiency of Domestic Firms		■
Cluster Facilitation		■
Urban and Regional Development, & Green Growth		■

GLHI MARKET ANALYSIS & MASTER PLAN

Billed as the "roadmap" for the establishment of the Global Logistics Hub Initiative (GLHI), JSEZA, in collab- oration with the Planning Institute of Jamaica launched the GLHI Market Analysis & Master Plan in November 2017.

As a sequel to the JSEZA launch, Cabinet approved the Plan and its implementation strategy in May 2018. The Plan identified the "key strategic enablers" critical to realising the Vision of the GLHI as:

- improving institutional effectiveness;

Dr Eric Deans (left), Chief Executive Officer of JSEZA, andMr Kirk Philips (centre), Deputy Director General of the Planning Institute of Jamaica, in dialogue with Dr Paul Kent, Senior Vice-President of NathanAssociates, at the public sessionheld to launch the Jamaica Logistics Hub Master Plan at the University of the West IndiesRegional Headquarters, Mona.

PHOTO: Jamaica Gleaner

- implementing supportive policies, legislative and regulatory frameworks;
- developing Special Economic Zones to attract private sector investment;
- enhancing workforce capacity;
- developing efficient transport logistics systems, port facilities; and
- promoting the Hub to achieve the projected levels of economic growth and fiscal stability, together with targeted levels of job creation.

The Market Analysis

With the "key strategic enablers" identified, the Market Analysis emphasised that while these were critical to realising the Vision – given the plethora of emerging rivals in the region, there were numerous imperatives yet to be addressed, among which were:

- evaluating current international trade and foreign direct investment trends;
- identifying market demand for logistics services resulting from the expansion of the Panama Canal;
- analysing maritime and air cargo flows;
- benchmarking Jamaica's transport and logistics competitiveness against regional alternatives;
- surveying users' and investors' perceptions of Jamaica's physical infrastructure, costs, and trans-shipment-related service levels; and
- identifying potential industries and sectors to be targeted for maximum value addition.

The Master Plan

The Master Plan is a composite of recommendations for potential and existing pipeline projects; priority industries to be exploited for value-addition; and a guide to enhancing Jamaica's overall "infrastructure ranking" to achieve Logistics Hub competitiveness. The Plan:

- utilised GIS analysis to address the country's land use requirements for industry, housing and logistics parks, designed a Land Use Roadmap; and
- developed an Action Plan for ministries, departments and agencies, to reflect a "single vision" and direction in promoting the GLHI.

At full build-out the Logistics Hub will facilitate 3,800 hectares of development islandwide, with the potential to attract investments upwards of US$28 billion. This is forecast to create an estimated 80,000 jobs.

The Market Analysis & Master Plan was spearheaded by the Authority, in association with the Planning Institute of Jamaica[6]. Its development was funded through the Foundations for Competitiveness & Growth Project, with the aim of strengthening Jamaica's business environment, to attract private sector-led investment.

TRADE FACILITATION

Creating an enabling environment that eliminates the myriad procedural obstacles and guarantees speed and seamless movement of goods, is critical to the success of any Special Economic Zone Regime. Trade Facilitation is therefore regarded as a global imperative in international commerce.

According to the International Trade Centre's 2013 report: *"The most burdensome obstacles encountered by Jamaican companies were pre-shipment export inspections by the Customs Agency, the Ministries of Health and Agriculture, the Bureau of Standards and other Government agencies"*.[7]

As a signatory to the WTO Trade Facilitation Agreement (TFA), the Government is charged with the implementation of measures to enhance the value-addition and efficiency of the country's trade services to bolster Jamaica's position as a multi-modal logistics and transshipment hub. As such, the Authority has taken proactive steps to ensure compliance with these measures by working with the border regulatory agencies to establish pro-competitive solutions.

Trade Facilitation Task Force

ARTICLE 8 of the WTO Trade Facilitation Agreement (2017): BORDER AGENCY COOPERATION, stipulates that *"Each member shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation and transit of goods, cooperate with one another and coordinate their activities in order to facilitate trade."*

Given its mandate under the Agreement, JSEZA is represented on the National Trade Facilitation Task Force, co-chaired by the Commissioner of Customs, which was established to ensure the implementation of the enhancement mechanisms.

Special Customs & Tax Administration Regime – Strengthening Cooperation

Aimed at minimising the protracted steps involved in the Customs clearance process, the SEZ Regulations mandated the establishment of a Special Customs Regime to harmonise the requirements for goods entering the Zones.

To ensure seamless and enhanced ease of doing business, the Jamaica Special Economic Zone Authority, Jamaica Customs Agency (JCA) and Tax Administration Jamaica (TAJ), signed a tripartite Memorandum of Understanding (MoU) in 2018, to strengthen their cooperation for the development of Special Economic Zones.

[6] *The Planning Institute of Jamaica funded the consultancy for the Market Analysis & Master Plan developed by international consultants, Nathan Associates, in conjunction with BergerABAM.*
[7] *http://www.intracen.org – Company Perspectives – An ITC Series on Non-Tariff Measures*

The partnership among the three regulatory agencies is critical to the effective implementation of the SEZ Regime and Jamaica's integration into global supply and value chains. The MoU established the operating protocols for information sharing among the three entities and set the stage for the establishment ofthe Business Acceleration Service Centre – a requirement under the SEZ Framework.

JSEZA Chief Executive Officer, Dr Eric Deans (centre), signs the MoU that will strengthen the cooperation with Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) on the development of the country's SEZs. At the signing, which took place at the JSEZA headquarters in Kingston, were TAJ, Director General, Mr. Ainsley Powell (left), and JCA, Chief Executive Officer and Commissioner, Mrs Velma Ricketts Walker (right).
PHOTO: JIS

Business Enabling Initiatives...

As part of its ongoing strategy to forge partnerships with industry players, inter-governmental and private sector agencies based on the cross-cutting nature of its mandate, JSEZA also signed a Memorandum of Understanding with JAMPRO in 2018. This MoU established the framework for interaction between them, and formally reaffirmed their collaboration.

Jamaica Special Economic Zone Authority (JSEZA) Chairman, Mr. Metry Seaga (standing), looks on as JSEZA Chief Executive Officer, Dr Eric Deans (left), and Jamaica Promotions Corporation (JAMPRO) President, Ms. Diane Edwards, sign a Memorandum of Understanding (MoU) that will further strengthen the collaboration and efficiencies between both agencies in pursuing potential investments for Jamaica's Special Economic Zone Regime. The signing took place at the JSEZA's offices on Waterloo Road, St. Andrew, on Friday (November 30).
PHOTO: JIS

Business Acceleration Service Centre

The establishment of the virtual service, and ultimately, the physical Centre will be critical to transforming the SEZ application system from a manual to an electronic process, facilitating connectivity among the agencies involved. It will also give applicants the option to interface with the agencies through a single portal.

Even more critical to the Trade Facilitation process, is the fact that this platform will drastically reduce the application approval timeframe from upwards of two months to 30 days.

Business One-Stop-Shop

As the physical Centre remains a work-in-progress, the Authority continued its thrust to harmonise investor-related processing by providing integrated One-stop-shop services through a virtual platform, in collaboration with its partnering agencies.

Business Aftercare Services

During the reporting period, with the aim of providing "real-time" personalised support to assist Zone Users to grow their businesses, JSEZA also began providing innovative Business Aftercare Services for companies operating in Special Economic Zones. This initiative was born out of queries from SEZ Developers and Occupants in the virtual One-stop-shop interfaces and routine sensitisation sessions.

The One-stop-shop platform will ultimately dovetail into the Jamaica Single Electronic Window targeted for implementation by the Jamaica Customs Agency in 2021. The Single Window will provide one entry point for all transit-related import and export requirements.

Importers will be able to submit documents electronically and interact directly with the border regulatory agencies – thereby reducing costs and clearance time.

Market Access

Plans are in train for the Authority to complete Phase 2 of its Industry Analysis in the coming fiscal year, guided by existing international trade agreements, the strategic objectives outlined in the Vision 2030 National Development Plan, and the SEZ Development Framework.

A number of industries with unlimited potential were identified in the Logistics Hub Market Analysis, however, as a small developing country, there is need for Jamaica to prioritise those industries from which the country is most likely to "capture value", and aggressively exploit them.

The Industry Analysis also addressed the mapping of market access requirements for goods produced in Jamaica, destined for global trading environments, and the market treatment of goods originating from the Zones.

Rules of Origin

While the term "country of origin" is self-explanatory, for purposes of international trade, Rules of Origin are defined as the ***"criteria needed to determine the national source of a product.***[8] This has become an economic issue – given the implications for trade policy measures such as preferential treatment, tariffs and quotas. The debate has become even more challenging worldwide, as to date there is no global consensus on the matter; and there are differing interpretations of the term, under various international treaties.

The SEZ's Regulations state unequivocally that once goods undergo *"a substantial transformation within a Special Economic Zone, they meet the criteria under Jamaica's Trade Agreements to be declared Jamaican made".*

This notwithstanding, in the absence of international consensus, the Authority took the proactive approach of engaging a consultant to conduct the necessary research on Rules of Origin vis-à-vis SEZ-related goods, as they apply under multiple Trade Agreements. The findings will inform JSEZA's capacity to negotiate terms, and ultimately, to issue policy guidelines to new and existing SEZ Developers.

[8] *https://www.wto.org – Rules of Origin: Technical Information*

DEVELOPMENT GUIDELINES

During the reporting period the Authority took deliberate steps to sensitise transitioning Free Zone Promoters and SEZ Developers to the need for their operations to adhere to international best practices, as well as established safety protocols. Against this background, the Agency's focus has been on ensuring that prospective Developers take a holistic approach to design concepts and environmental considerations, in establishing their enterprises.

Apart from the aesthetics, there are economic imperatives for protecting and marketing the "SEZ Brand", as prospective investors will be influenced by the fact that Jamaica's system standards are in keeping with practices in other jurisdictions, and meet internationally established criteria.

The Authority's Technical Services and Infrastructure Unit has therefore been tasked with the responsibility to craft the Special Economic Zone Development Guidelines, incorporating these and wider infrastructural and logistical issues.

- Conformity with SEZ Regulations
- Strategic planning considerations
- Architectural guidelines
- Building Act compliance
- National Spatial guidelines
- Sustainability measures
- Energy conservation
- Disaster mitigation/management
- Government procurement requirements.

STAKEHOLDER ENGAGEMENT...
REACHING OUT TO OUR CONSTITUENTS

DEVELOP AND IMPLEMENT A STAKEHOLDER ENGAGEMENT FRAMEWORK

Created a Stakeholder Engagement Framework to provide direction in the areas of stakeholder relationships, communication and advocacy. The Authority has used several channels of communication to interact with its various stakeholders and the general public. The following are some examples of methods used.

1. **Websites & Social Media**
   Website created providing information on the SEZ Regime, the Authority, the application process – the "need to know issues."
2. **Sensitisation & Awareness Sessions**
   Conducted a number of sensitisation sessions with groups of constituents in Montego Bay and Kingston.
3. **Published Material**
   Published several articles providing information on the Authority, its work and recommendations for future SEZ development.
4. **One-on-One Meetings**
   Facilitated a number of one-on-one meetings with existing constituents, prospective clients, Free Zone stakeholders, private sector associations, & foreign diplomats.
5. **Public Awareness**
   Comprehensive public awareness strategy executed locally and internationally – through Jamaica Information Service; newspaper articles; social media; and international magazines.

Established as one of the early initiatives in the period under review, the Stakeholder Engagement Framework was developed in keeping with JSEZA's emphasis on creating a customer-centric organisation – one that listens to its constituents, prioritises their needs, and commits to continuous performance enhancements.

The core objectives of the Framework, which seeks to harmonise the interests of the varied target groups in the execution of the JSEZA mandate are:

- building stakeholder trust and confidence;
- increasing the transparency of the Regulatory processes in order to achieve stakeholder compliance;

- establishing open lines of communication to better understand and respond to stakeholder concerns and interests; and
- engaging with stakeholders to keep them abreast of the innovative strategies that are continuously being implemented to enhance their efficiency and competitiveness.

Mr. Ainsley Brown, JSEZA (left) speaking at a Sensitisation Session for SEZ Developers and Operators, while Ms. Licia Grant, looks on.
PHOTO: JIS

The Framework has been pivotal to the effectiveness of the public awareness and communication initiatives in:

- sensitising Free Zone Promoters to the new SEZ Regime, the transitioning process, and its comparative advantages – both for them as stakeholders, as well as for fast-tracking the country's economic growth agenda; and
- stimulating investor engagement, through the design and implementation of an Investment Sales Strategy.

During the reporting period, the Stakeholder Engagement Team was particularly strident in developing a comprehensive Public Information strategy to increase awareness of the Authority's role and functions.

As highlighted, among the key initiatives undertaken were Outward Missions, and the development of an interactive website, detailing inter alia, information on JSEZA's facilitating role in creating a competitive business environment for SEZ stakeholders.

One-on-one meetings and face-to-face sensitisation sessions were routinely hosted with Free Zone Promoters and Occupants islandwide, monthly advisories and newspaper articles were published through various media locally and abroad, in addition to news features highlighting breakthrough achievements.

Given the Authority's commitment to being open and accessible to all its stakeholders, plans are underway for the development of a Service Charter in the upcoming fiscal year, which will establish the standard of service excellence to be expected in JSEZA/stakeholder engagement. The Charter will also provide clear guidance on the regulatory requirements mandated by the SEZ Act.

Increased Website 'Hits' and Social Media Presence

Arising from the promotional agenda there was an increase in website visits, with 43,000 hits recorded between January and December 2018. Social media presence also escalated, creating sustained opportunities for interaction and feedback.

THE SINGAPORE ENCOUNTER...
ECONOMIC POSITIONING

GLOBAL LOGISTICS HUB IMPLEMENTATION

Jamaica – Singapore Bilateral Cooperation MoU

The Singapore Cooperation Enterprise MoU will facilitate: (1) development of a sustainable and executable Master Plan for world-class Jamaican Special Economic Zones; (2) sharing of Singapore's Strategic workforce planning expertise for industry development; and (3) sharing and development of best practices for ease of doing business within Special Economic Zones.

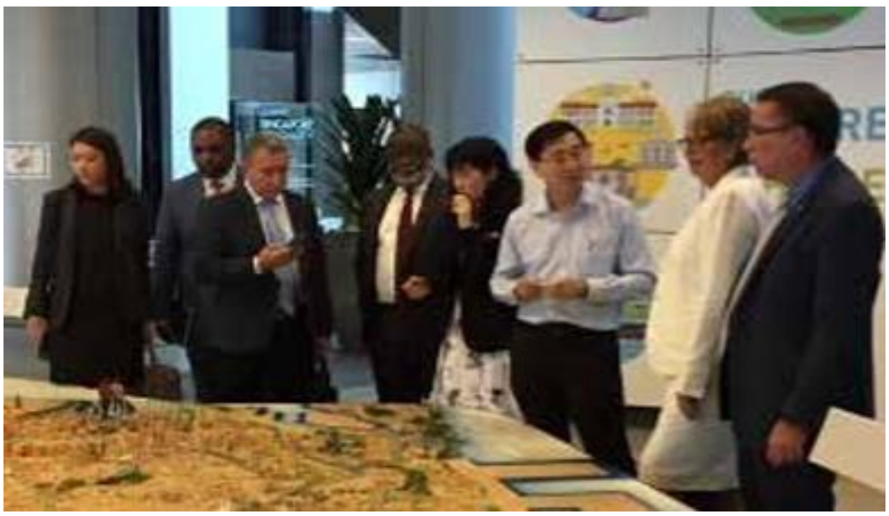
GLHI IMPLEMENTATION 2018/19

GLHI IMPLEMENTATION 2022/23

Current Status 2018/19
Bilateral Cooperation Agreement drafted and being negotiated between parties

Project Plans Plans in place for implementation of projectsdesigned to include new programmes for JSEZA; AAJ; JCAA; PAJ; MAJ; and NWA.

As the designated implementing agency for the GLHI Market Analysis & Master Plan, the Authority sought guidance and technical assistance from the Singapore Cooperation Enterprise (SCE). As an enabling mechanism for the proposed assistance, a Memorandum of Understanding was signed between the Government of Jamaica and the SCE in December 2017, to facilitate collaboration in a number of areas.



From left: Mr. Don Gittens – JAMPRO, Mr. Metry Seaga – Chairman JSEZA, Dr. Eric Deans – CEO JSEZA, Mrs. Patricia Francis – Chairperson Trade Facilitation Task Force and Minister Daryl Vaz, MP – Office of the Prime Minister, with representatives from Singapore Corporation Enterprise and Singapore Urban Redevelopment Authority.
PHOTO: JSEZA

Study Tour

Following the signing of the bilateral agreement, in June 2018 a delegation comprising representatives from the Ministry of Economic Growth and Job Creation, the Urban Development Corporation, the Airports Authority and JSEZA embarked on a working study tour to Singapore to:

- share in the country's development experience in the planning of *"smart cities"* and industrial parks, based on their *"live-work-play"* concept;
- discuss the implementation of strategies for the GLHI Market Analysis & Master Plan;
- advance the discussions on the development of the National Airport and National Maritime Plans; and
- review proposals for the planned capacity-building workshops, focused on developing a *"whole-of-government"*, pro-business environment.

Site Visits Included:

- **A tour of Jurong New Town and the Jurong Industrial Estate**[9] that transformed former swamp land into a housing estate, which has become the centerpiece of the country's manufacturing sector and created employment opportunities for thousands.
- **The Industrial Business Park, Singapore's "pioneer"** business park, located amid a vibrant mix of office, retail, residential and entertainment facilities, has become the preferred business hub for manufacturing companies, and is home to technological giants such as Dell and Sony.
- **One North - Science Park & Biopolis, Fusionopolis, Mediaopolis** this park combines educational institutes, residences and recreational facilities to create a "work-live-play-learn" environment.

Dr. Eric Deans – CEO JSEZA at the Urban Redevelopment Authority in Singapore. **PHOTO: JSEZA**

Minister Daryl Vaz MP – OPM receiving a gift from Singapore's Minister for Trade and Industry – Mr. Lim Hng Kiang **PHOTO: JSEZA**

[9] *The success of the Jurong Industrial Estate increased Singapore's GDP by US$724 million within a decade.*

ECONOMIC POSITIONING

SINGAPORE/JAMAICA MISSION

Following the Study Tour in June, JSEZA accepted Singapore Cooperation Enterprise's offer of a *pro bono* scoping visit to Jamaica.

The objective of this exchange was to provide direction for the Logistics Hub Initiative Roadmap – given the SCE's demonstrated track-record for knowledge transfer in the strategic planning of world-class, township-style Special Economic Zone development; business environment reform; and workforce development.

The Jamaica mission featured a series of consultations with industry leaders, and representatives from government and quasi-government agencies, to give the consultants an overview of the financial landscape, as a guide to their formulation of the proposed economic positioning strategy for the country.

JSEZA representatives – Mrs. Sanvia Martin Bailey (left), Mrs. Amorley Hibbert and Mr. Gary Scott, pose for a photo opportunity with Mr. Chua Taik Him – Senior Advisor of Enterprise Singapore and Former Deputy CEO of International Enterprise Singapore and Mr. Daniel Seah – Singapore Cooperation Enterprise. At right is Miss Alicia Reid – JSEZA. **PHOTO: JSEZA**

GLOBAL CONNECTIVITY

E-commerce, the business model of the 21st century has gradually eroded traditional economic trading networks, arising from the global technological transformation connecting countries and continents. Hence, the Vision Statement articulated from the consultations to drive Jamaica's development was: ***"Building a globally competitive economy with compelling competencies and connectivity".***

The consultants used "connectivity" in reference to logistics – air, sea, digital and financial networks, while "competencies" here refer to policies and infrastructure – both critical to the development and promotion of growth engines.

The following were the results of the assessment and recommendations arising from the Economic Positioning consultations:

Airborne Trade Connectivity

Through its natural endowments and strategic marketing initiatives, Jamaica has established an enviable track record in the development of its tourism product. However, the passenger traffic at Norman Manley and Sangster International airports consists primarily of inbound tourists; while by contrast Miami is the transit hub for Latin America and the Caribbean region – despite the monumental delays and other challenges experienced in immigration and customs.

Figure 3. *Norman Manley International Airport, Kingston, Jamaica - Departure Terminal.*
Source: https//airportsauthorityjamaica.aero/location/norman-manley-international-airport/

RECOMMENDATIONS

Operating exclusively as a tourist destination cannot maximise "value-capture" from Jamaica's celebrated strategic location.

- The country's transformation from a purely air traffic destination, to a transit hub serving Europe, the Americas and the Caribbean region – moving beyond tourism – and attracting trade and cargo traffic through the implementation of a National Airport Plan and an Intermodal Logistics Hub Strategy, was an imperative.
- Prioritising the development of Air Service Agreements with the European Union and the Latin American & Caribbean region was seen as essential; and
- Boosting air cargo flows by attracting increased passenger flights through Jamaica, were also cited as critical.

Seaborne Trade Connectivity

Ranked as the eighth busiest container port in Latin America and the Caribbean in 2017, Jamaica has developed a distinct competitive advantage in transshipment, based on the port of Kingston's natural deep-water harbour.

Its ranking has since been strengthened by the privatisation of the Kingston Container Terminal and expansion of Kingston Wharves into supply chain operations. Despite its unique characteristics, without proactive steps to expand its logistics connectivity and diversify its services, the port risks being marginalised as competing facilities grow.

Figure 4. *Drone view of Kingston Wharves Limited.*
Source: www.jseza.com

RECOMMENDATIONS

Among the recommendations were:

- the development of a National Seaport Plan and Maritime Hub Strategy with state-of-the-art connectivity to the Americas and Europe, offering a range of services to the maritime industry, to drive trade and manufacturing activities in Jamaica;
- the establishment of Kingston Harbour as the sole container port to embrace the concept of the economies of scale; while the other seaports would offer specialised services; and
- the development of a competitive port and terminal cost structure to attract increased shipping lines and transshipment cargo.

Digital Connectivity

With funding assistance from the IDB, the Government of Jamaica embarked on a digital transformation programme in 2016. An estimated 1.78 million Jamaicans subscribed to broadband in that year, and today, more Jamaicans are increasingly embracing e-commerce.

In addition, the BPO industry currently contributes some US$400m to Jamaica's economy based on increased investments in telecommunication infrastructure. This has resulted in enhanced Internet speed and network availability. But despite these indicators, the full potential of digital communication and infrastructure is yet to be exploited.

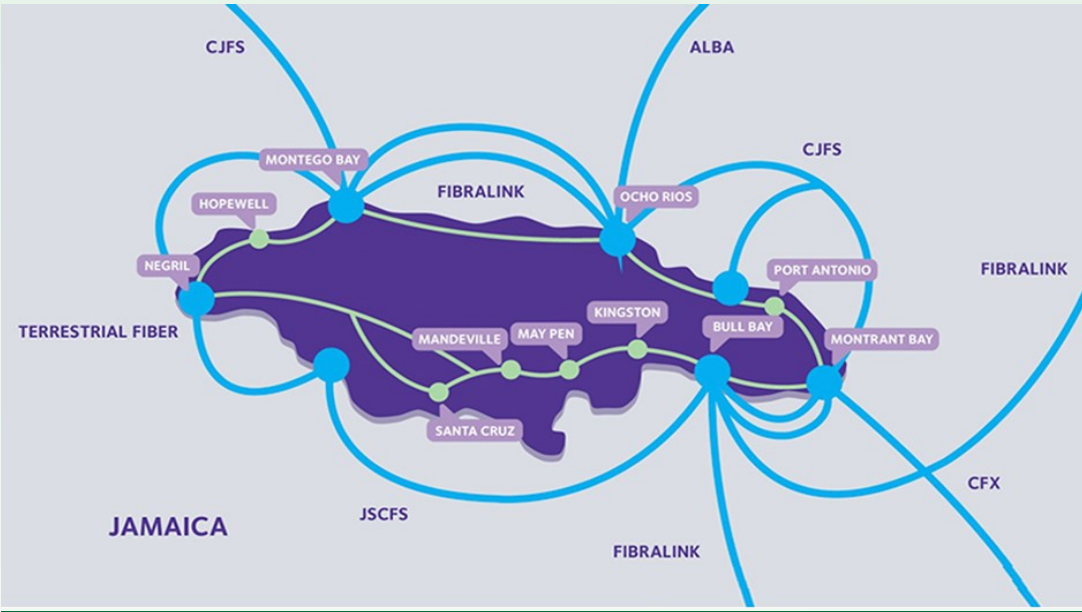


Figure 5. *Network Map of Jamaica*

RECOMMENDATIONS

- The development of a world-class digital hub was proposed, which supports and facilitates "value-capture" from digital transactions involving Jamaica and the region, and leveraging global trends, with the aim of creating a highly networked economy.
- The establishment of clusters with potential for quick returns, e-Commerce platforms and data centres were also proposed.

Financial Connectivity

The institutional reforms implemented by the Government to improve the investment climate have begun to show signs of success. The country's credit rating has improved, Jamaican bonds are trading at a premium on international markets, and public and publicly guaranteed debt fell to 114 per cent of GDP by the end of 2017.

Challenges

- While there are 11 deposit-taking financial institutions in Jamaica, two of which are foreign banks – Scotiabank and Citibank – investors may face challenges in identifying international banks willing to engage in correspondent banking with Jamaican entities. This would potentially result in difficulties in moving money from one country to another.
- Additionally, financing for Micro, Small and Medium Enterprises (MSMEs) is constrained by the unavailability of adequate funding; high interest rates; and stringent collateral requirements.

RECOMMENDATIONS

In light of these challenges, the development of an effective Financial Services Industry, focused on Jamaica's economic growth; the development of products to attract foreign direct investment; and the creation of instruments to provide ease of access to appropriate financing for MSMEs, were proposed

COMPETITIVENESS - GLOBAL & INTERNAL TRENDS

COMPETITIVENESS GLOBAL & INTERNAL TRENDS

The consultations involving a wide spectrum of public and private sector stakeholders conducted during the Jamaica/Singapore Mission were followed by ‘desktop’ research, and site visits to enterprises involved in various areas of economic activity. The aim of this process was to assess the country’s competitive and comparative advantages in a number of sectors, benchmarked against global and international trends.

Competitiveness – Global & Internal Trends

The sectors identified as having the highest potential to drive economic growth were Hospitality; Trade & Manufacturing; and the Creative Industries – despite their being at differing points in the value-generation spectrum:

- Creative Industries – to facilitate value creation utilising its untapped talent pool;
- Trade and Manufacturing – to stimulate value-addition, leveraging increased access to expanded markets in the Caribbean, North American, and Latin American regions arising from the GLHI; and
- Hospitality – to “capture” value, maximising the returns from Jamaica’s vibrant tourism sector and the tourist traffic in the Caribbean region.

“Permitted” “Priority” “Prohibited” Industries

In keeping with the stated strategic direction of the Logistics Hub Initiative (LHI) and that of the Jamaica Special Economic Zone Authority, the development of the Hub and Zone infrastructure must be targeted to serve the Government’s fundamental economic interests. Pinpointing those sectors that can provide a long-term competitive advantage for Jamaica has therefore been the basis for identifying “Priority” industries under the SEZ investment promotion strategy.

Having examined Jamaica’s investment trends and requirements, given the growth potential identified through trade flow analysis and demand forecasts; survey results from local and international investors; SWOT and multi-criteria analyses – various sectors and sub-sectors, along with industry clusters have been recommended for prioritisation.

Recommendations have been made as to how best to improve the Hub’s competitiveness, focusing on addressing institutional and regulatory improvements; industrial development; and promotional strategies in line with the LHI’s Vision.

The commodities of greatest interest to investors doing business in the Hub are those with the highest trade flow volumes and values – having regard to the cost of electricity, water, space, parts and accessories for motor vehicles.

Intermediary products that may be imported for value-added purposes, and subsequently exported to US and Latin American markets as finished products, e.g. parts for motor vehicle assembly, were also recommended.

- **"Permitted" Industries –** Permitted industries include all industries that are not excluded under Section 41 (1) of the Special Economic Zone Act.
- **"Priority" Industries –** As indicated earlier in this Report, a number of key industries were identified in the LHI Market Analysis and Master Plan conducted by Nathan Associates Ltd, as best suited to exploit Jamaica's strategic position and capitalise on its comparative advantage. In addition, further investigation undertaken by JSEZA's Research and Development Team highlighted 11 primary industries to be prioritised, when assigning space for industrial development in the Logistics Hub. These were:

- **Food Manufacturing and Agro-technology**
  As one of the country's leading contributors to economic development, the Food Manufacturing and Agro-processing sector is full of potential for product diversification and market penetration opportunities, based on innovation. Food Manufacturing and Agro-technology also have linkages to a number of industries, including the pharmaceutical and biotechnology sectors.

- **Logistics & Supply Chain Management**
  The island's geo-strategic location at the heart of the Americas ideally positions it as a platform to access the "one-billion-person-market" in an efficient, timely, and reliable manner. Additionally, its highly developed digital infrastructure and trained human capital, combine to make it a resilient logistics hub to assist companies to meet, and exceed key strategic objectives of cost competitiveness, quality, flexibility, and ultimately – customer satisfaction.

- **Pharmaceutical**
  Jamaica has a strong pharmaceutical manufacturing base for both over-the-counter and prescription drugs, as well as the potential to capture value from the nutraceutical industry.

  With its cadre of distributors for international pharmaceutical companies, coupled with its prime location, Jamaica is now on track for more value-added activities in this sector, particularly in light of accelerated global interest in the nutraceutical market, slated to reach US$285 billion by 2021.

- **Global Services Sector | ICT & BPO**
  The island has become a popular emerging nearshore location in the Caribbean for customer support operations. Its offshore services have expanded significantly and currently boast a strong third-party call centre presence, accounting for 80 per cent of the industry.

  The sector continues to evolve as it moves up the Global Outsourcing Services (GOS) value chain. With 18 per cent of the activity dedicated to Knowledge Process outsourcing and two percent to Information Technology outsourcing - the industry is now well equipped to penetrate deeper into GOS in response to what has been termed, the "Fourth Industrial Revolution".

  Through its SEZs, the country is therefore positioned as a value-addition and value-creation centre for shared services including: virtual assistants; legal process outsourcing; data annotation; and artificial intelligence.

- **Creative Industries & New Digital Media**
  The creative industries, born out of individual skill and talent, have the potential for wealth and job creation through the exploitation of intellectual property rights.
  Jamaica has a wide range of performing artistes, film professionals and world-renowned musicians. When combined with today's technological advancements, the creative and cultural

sectors have fused to make this country one of the most innovative and talent-filled locations in the world. As such, Jamaica has the potential to develop its creative industries as a major contributor to economic growth, based on the projected long-term expansion of the global creative economy.

- **Automotive**
  The island's current position as one of Latin America and the Caribbean's leading automotive transshipment hubs, has the potential for greater value-addition in various areas, including parts manufacturing and aftercare services.

- **Biotechnology**
  Jamaica is the third largest island in the Caribbean with abundant biodiversity, characterised by more than 3,304 vascular plant species; approximately 600 species of ferns; 136 species of butterflies; and 106 known bird species that are found only on the island. This rich, untapped biodiversity makes the country an ideal location to set up biotechnological facilities for Research & Development within the region.

- **Electronics**
  The country is ideally positioned based on its location and digital connectivity to capitalise on the exponential growth in the global electronics industry. As such, it is well poised to attract both Original Equipment Manufacturers (OEMs) and Electronics Contract Manufacturing (ECM) to design, test, build, and provide aftermarket services.

  Jamaica's SEZs are the ideal platform to give electronic manufacturers and service providers a nearshore advantage over their competitors.

- **Digital/ICT Equipment and Services**
  The Government's Information and Communication Technology Policy of 2011 facilitated the enhancement of ICT infrastructure to include high-capacity networks, as well as interconnectivity to international networks. This was aimed at driving entrepreneurship, accelerating e-commerce, and providing access to global markets.

  The Policy also facilitated the establishment of ICT-related businesses, including BPO and software development to fuel Jamaica's thrust towards industrialisation and sustainable development. The Special Economic Zone Regime is therefore well positioned to welcome investments in ICT component manufacturing and repairs.

- **Beauty Care**
  The beauty care sector abounds with opportunities for Jamaica to take advantage of the global cosmetic market that is estimated to reach USD$675 billion by the end of 2020. Despite its exponential growth, the industry currently lacks a hub for promoting the Black image.
  Given the country's geo-strategic location at the heart of the Americas – its history, and multi-ethnic population, yet strong Afro-Caribbean presence, it is uniquely positioned to develop, design, manufacture and distribute Black beauty care products.

- **Medical Devices**
  A critical component of the healthcare sector, the medical devices industry, which manufactures a diverse range of products for the diagnosis.

and treatment of diseases, is poised for greater value-added development in its bid to capture a share of this US$430 billion medical technology market.

- **“Prohibited” Industries –** Section 41 (1) of the Special Economic Zone Act details a list of prohibited activities which Zone Developers and Occupants cannot engage in, either directly or indirectly. These are:
- extractive industries, including mining, quarrying or drilling for natural resources (but not including the lawful extraction of water for the Developers’ or Occupants’ use);
- tourism services;
- telecommunication services;
- public utilities (not including the generation of electricity by a Developer or an Occupant solely for his/her own use, and not “for the supply to any other person other than the Single Buyer, pursuant to a standard offer contract for net billing, or a wheeling arrangement under the Electricity Act”;
- financial services regulated by the Bank of Jamaica or the Financial Services Commission;
- construction services, unless this relates to a manufacturing process within a Zone;
- real estate (such as Equity Real Estate Investment Trusts (REITS), and not Real Estate Management & Development, which is the primary function of the Developer;
- health services, excluding research and development;
- catering services;
- retail trade; and “such other activities as the Ministry may specify by order prescribed in the Gazette”.





DEVELOPMENT FRAMEWORK

As a signatory to the Sustainable Development Goals (SDGs) established by the UN General Assembly in 2015 – Jamaica has the distinction of being the only Caribbean territory to have mapped its National Development Plan to these goals.

JSEZA officially adopted the SDGs, which are strategically aligned both to the country's growth agenda and the Authority's Development Framework, in 2018. The Development Framework establishes the matrices by which the Authority assesses investors' demonstrated adherence to sustainability concepts, and the degree to which their projects are compatible with the multi-modal essentials of the logistics-centred economy the GLHI mandates.

The SDGs include: economic growth; industry; innovation & infrastructure; sustainable cities/communities; and clean energy; as well as responsible consumption & production.

During the reporting period, in addition to the prime economic considerations, the Authority used these socio-cultural and ecological considerations as benchmarks to evaluate the viability of new investments, their potential to contribute to Jamaica's growth agenda, and the SEZ Regime's development objectives.

This approach is underpinned by JSEZA's philosophy that while SEZs are meant to catalyse the economy, they must also generate sustainable development, and embrace the principles of environmental stewardship.

Environmental Conservation...In-House

From a company perspective, as the Authority sought to move closer to environmental sustainability, initiatives were ongoing during the period of this review to decrease corporate greenhouse gas emissions within our facilities; to use energy more efficiently; to adopt low-impact development; and to effect waste reduction in-house and within the Zones.

Social & Economic Stability

Our efforts to foster social and economic stability in the fiscal year included local vendor development, MSME participation in the SEZ Regime, and embedding community benefits in vendor contracts.

Well-being of Our Internal Stakeholders

Given that the effectiveness of an organisation is largely reliant on the psychological and physical well-being of its workforce, our internal stakeholders – at JSEZA, we pride ourselves on strict adherence to ethical Human Resource policies, incentivising staff members, and creating channels for their development.


AJAS
AIRBUS A321
CROWLEY


MARKET
ETHICS
SINCERITY
RESOURCES
GOALS
LONG TERM
RESPONSIBILITY
SUSTAINABILITY
CORPORATE
SOCIAL
RESPONSIBILITY
(CSR)

CORPORATE
SOCIAL RESPONSIBILITY (CSR)

The guiding principles of our CSR policy mirror the United Nations SDGs in promoting economic growth, labour productivity and upskilling, sustainable development, and social and economic stability.

Internship Programme

In keeping with our focus on labour productivity as it impacts economic stability, the Authority implemented a two-tiered Internship Programme during the fiscal year, targeting student volunteers and tertiary graduates.

The Student Volunteer Programme gives participants the opportunity to gain vital on-the-job experience in their fields of study for a minimum of four (4) to a maximum of twelve (12) weeks, respectively.

The programme targets students enrolled in courses where an internship is a prerequisite to earning credits towards a degree. Each intern is mentored by a sponsor as a guide to day-to-day office practice, professional conduct and technical skills application. At the end of the assignment, the interns are required to complete and submit a questionnaire on the overall experience to the Authority's Human Resources and Management Division. Thereafter, the sponsoring institution is provided with an evaluation of his/her performance.

The Graduate Internship Programme targets individuals who have completed graduate or post-graduate studies and are focused on acquiring experience to bridge the gap between the theoretical concepts they have learnt and practice in the work world. Interns in this tier of the programme are recruited for a minimum of six (6) to a maximum of twelve (12) months; and are paid a stipend in keeping with the rates at the time of their engagement.

As in the case of the volunteers, supervisors are assigned to mentor, guide and assess the interns' progress as they navigate the work environment. The HR Division is currently in the process of establishing a database of interns who have successfully completed the programme, and will continue to collaborate with Placement Officers based in local and overseas universities.

The objective of this ongoing collaboration is to give graduates and undergraduates with an interest in trade and investment, research and administration, the opportunity to be exposed to the many faceted aspects of the Authority's work.

ZONE MONITORING

"Few countries systematically assess the performance and impact of Special Economic Zone benefits against [operating] costs and initial investments..." [10]

The UNCTAD 2019 World Investment Report extolled the merits of SEZ Regimes in great detail, noting that they were: "widely established in most developing countries in response to increasing competition for internationally mobile investments ... and they create jobs and boost exports – directly and indirectly, where they succeed in building linkages with the broader economy..."

However, the report also cautioned that "the performance of many Zones remained below expectations...After the build-out period, most Zones grew at the same rate as the national economy." Primary among the ameliorative solutions cited as critical success factors for SEZ sustainability was: ***"a solid regulatory framework, and good governance."***

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[10] *https://unctad.org World Investment Report 2019 – Special Economic Zones – UNCTAD*

Unlike the Export Free Zones Act, the SEZ Act and Regulations mandate the establishment of a structured Monitoring Framework for the evaluation of all SEZ enterprises on an ongoing basis. The Framework is currently being developed and is due to be completed within the fourth quarter of the 2019/20 financial year.

The evaluation instrument will include a scoring system to analyse the results recorded, which will be submitted to both the Planning Institute of Jamaica and the Statistical Institute of Jamaica. This will allow for assessment of the SEZs' impact on fiscal growth, using data-driven information. The Authority is therefore in the process of sensitising SEZ Stakeholders to the fact that under the new Regime, their operations will be routinely monitored.

FORGING STRONG SOCIO-ECONOMIC **INTERLINKAGES...**

Supplier Ecosystem & Enhancement Development (SEED)

Among the criteria used by the United Nations to measure "good governance", are responsiveness, equity, and inclusiveness. While the Authority adheres to the traditional governance principles, its philosophy also embodies these concepts, as reflected in its programmes to create innovative development opportunities for its stakeholders.

The Supplier Ecosystem & Enhancement Development Programme, which came on stream in April 2019, was designed to facilitate sustainable linkages between the Zones and the wider economy – given that entities within SEZs are now allowed to trade on the local market without restrictions.[11] As a "sweetener", JSEZA has also put in place an incentive framework through which goods purchased on the domestic market by approved enterprises within the Zones, are zero-rated.

The creation of linkages of this kind is a major policy imperative according to World Bank analysis. It also augurs well for increased domestic employment and increased exports – while embracing the UN's "governance" guidelines of responsiveness, equity, and inclusiveness.

This initiative has not only served to foster backward linkages to the domestic economy, but also to create an enabling environment for MSMEs seeking to become part of the SEZ value chain. The Supplier Ecosystem & Enhancement Programme has therefore been designed as a vehicle to achieve this.

Workforce Development

The Workforce Development Initiative, aimed at delivering targeted skills training and employment opportunities for prospective SEZ workers, was spearheaded during the 2018/2019 fiscal year. This was in keeping with the Agency's commitment to those external stakeholders within the Zones and the surrounding communities.

The Authority worked in collaboration with industry representatives to establish their demand forecasts so as to create a ready pool of certified personnel to meet investor demand. To this end, associations were forged with:

- the Caribbean Maritime University (CMU), due to the scope and diversity of its programmes; and
- HEART/NSTA Trust, which has the infrastructure to replicate industry-specific skills training programmes islandwide.

[11] *When the Export Free Zone Regime was in force, manufacturing entities were allowed to supply only up to a maximum of 15 per cent of the goods they produced to domestic markets. The SEZ Act effectively removed this cap on domestic sales.*

Linkages have also been forged with industry partners to develop specialised programmes and to train and certify technicians in various areas, notably motor vehicle and ship repairs. In addition, a private sector-led apprenticeship programme is ongoing, with graduates from the former HEART Trust being temporarily employed as interns in industry, while receiving higher certification from CMU.

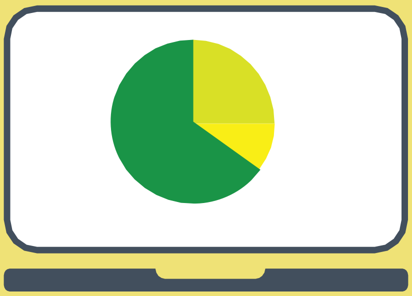
This initiative was targeted at driving the transformation and upskilling of industries for higher "value-capture" as JSEZA seeks to attract investors for the advancement of cutting-edge, smart-city-type Zones, having regard to its development mandate.

TECHNOLOGY

It is well accepted that using technology to maximise productivity and efficiency creates a platform for operational success. The Authority therefore took steps to implement a suite of software solutions to equip the organisation with the tools to maximise its productivity and management processes.

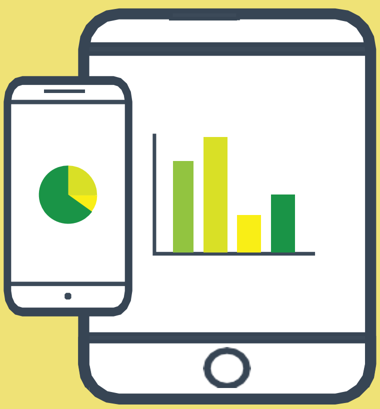
PROGRAMMES ACQUIRED

- MS Great Plains – a Finance tool
- MS SharePoint – a Collaboration & Content Management platform
- MS Dynamics – Customer Relations, Management Enterprise Resource Planning
- MS Power BI Pro – a Business Intelligence tool – Field Operations, Marketing



SINGLE WINDOW SYSTEM FOR ZONES

Blockchain Technology – the Authority and e-Gov are currently finalising an MoU to design, develop and implement a single window among GoJ'S regulatory partners – TAJ, JCA, COJ, PICA, JIPO & TBL.



ArcGIS

ArcGIS is a geographic information system for compiling data and analysing mapped information.

Phase 1 – Completed
Phase 2 – Customisation to be completed by the end of 3rd Quarter 2018/2019

All these software applications in the Microsoft suite were acquired in December 2018.

TECHNOLOGY

OPTIMISING OPERATIONAL EFFICIENCY

True to its mandate, and as directed by the Prime Minister, the Authority has maintained a process-driven, performance-oriented work environment, having procured a suite of software solutions which has maximised productivity and operating efficiency, by integrating and streamlining its business processes.

The following are among the technologies adopted in the fiscal year which have improved data sharing; customer interfaces; and facilitated cutting-edge cost management:

- **Microsoft Dynamics 365** is a cloud-based business application platform that combines components of Customer Relations Management, Enterprise Resource Planning, and Productivity Applications. Given JSEZA's growing investor base and the scope of its in-field operations, this has proven to be a key addition to its programmes.

- **Microsoft SharePoint Online (Office 365) –** A leading industry browser-based collaboration and content management platform, Microsoft SharePoint is an enterprise data management tool. This application allows for the creation of a centralised password-protected environment for information-sharing in a safe setting.

- **ArcGIS –** The acquisition of the ArcGIS Server, implemented through a GoJ Enterprise Licensing-agree ment, has been instrumental in advancing JSEZA's Information & Communication Technology capabilities. This geographic information system used for mapping and compiling statistics, has revolutionised the Authority's capacity to capture, analyse, and generate real-time data on SEZ locations islandwide, their existing infrastructure, adjoining urban support areas, and marketing trends.

  Since its installation, a library of more than 650 datasets has been established, and in addition to geotagging the Free Zone inventory, spatial information has been gathered on those Zones transitioning to the SEZ Regime.

  To facilitate seamless communication with the Field Mobility and Collector applications, an online Portal will be established in the short term. Plans are also in train for the integration of ArcGIS with Microsoft SharePoint.

- **Microsoft Dynamics Great Plains –** This business accounting software package was strategically adopted in September 2018, to facilitate the smooth transition when the Authority assumed responsibility for its accounting functions previously handled by the portfolio Ministry.

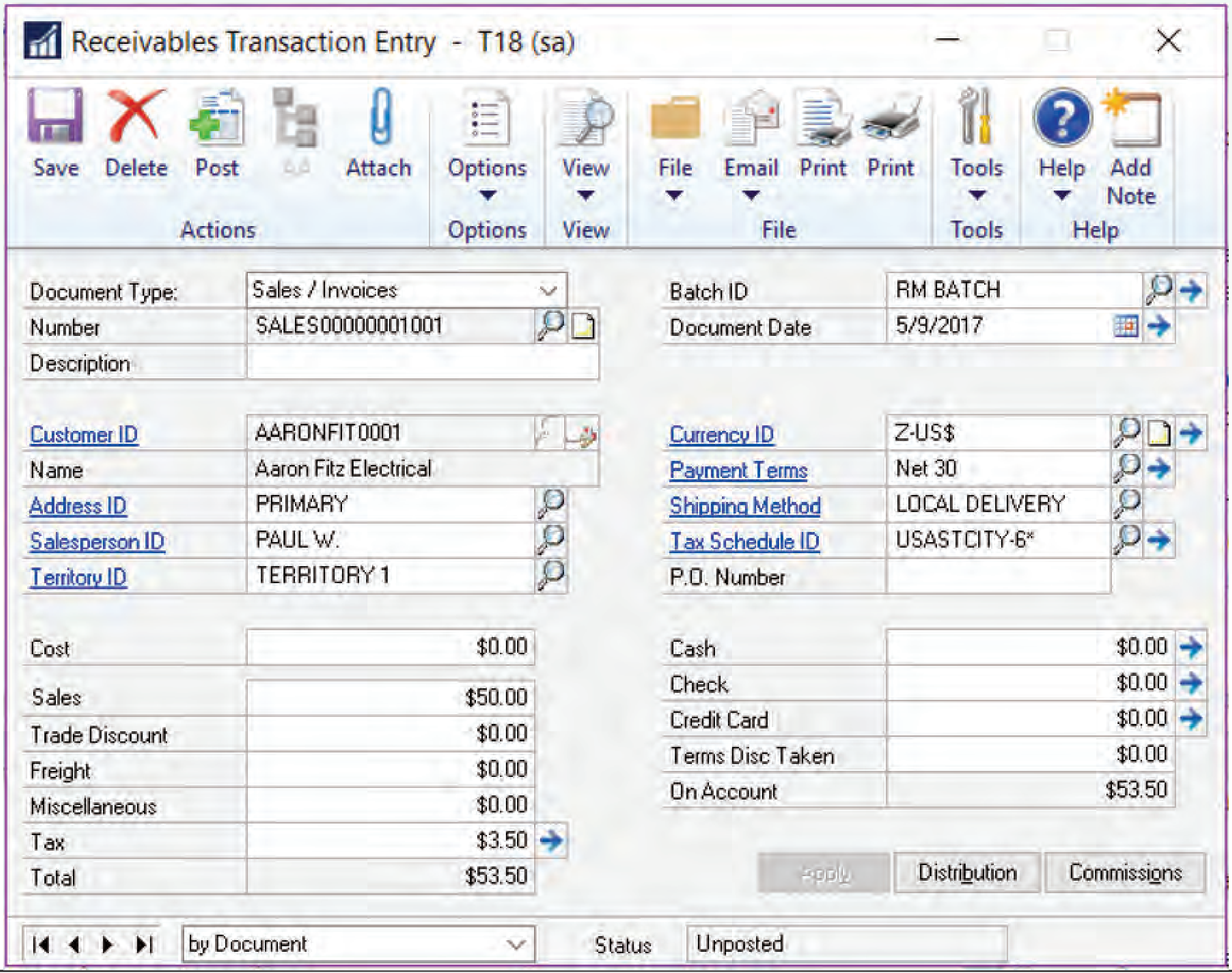
- **Microsoft Power BI Pro –** Acquired in January 2019, is a business intelligence platform which provides users with the tools for aggregating, analysing, and sharing data. It enables connectivity to hundreds of data sources, simplifies data preparation, and drives ad hoc analysis. It also produces quality reports and publishes them for the organisation's access on the web across mobile devices.

- **Block Chain Technology –** Based on its inbuilt safeguards, which are reputed to make it “impossible to corrupt”, JSEZA has been exploring the option of acquiring this digitised system of storing public transactional records.

  Research is ongoing with the assistance of e-Gov, to determine the best-in-class solution for end-to-end technologies that facilitate optimum automation, flexibility, and the capacity to adapt to the Agency’s future requirements.

Benefits:

- Minimising Customs’ revenue leakage, tax-based erosion & profit shifting, and improved border control;
- Reducing SEZ business application cycle-time; and
- Monitoring compliance with SEZ regulations.



GARNERING
INVESTMENTS

Establishing a SEZ Regime in a conducive environment, it has been well documented, is a proven strategy for attracting both local and foreign direct investment, and diversifying a country's export base.

Always pre-emptive in seeking to advance economic growth, in a proactive approach, the Government has enacted multiple pieces of enabling legislation to court multinational entities transacting business on the global market. These initiatives are being piloted by the **International Financial Services Authority,** established to market and promote Jamaica as the preferred financial and logistics centre of the Caribbean.

Sharpening Jamaica's Value Proposition

With the establishment of the Logistics Hub Initiative, in response to what has been termed the **"global phenomenon of continuing industrial fragmentation"** [12] in international production systems – the environment is now eminently conducive for Jamaica to leverage its unique value proposition, to fast-track investment opportunities.

During the period of this review, JSEZA has therefore been working to expand and diversify the SEZ investment portfolio in a bid to attract Developers wishing to establish modern, large-scale Zones. In addition, having adopted the UN Sustainable Development Goals (SDGs), aspiring entrants are mandated to embrace environmentally sustainable practices in the planning, design, and management of the country's industrial spaces and commercial parks.

In the fiscal year, heightened investor interest was recorded in traditional industries: Business Process Outsourcing, manufacturing and logistics, as well as in new and emerging sectors. Notably, interfaces with prospective SEZ Developers yielded potential investments valued at upwards of US$9.8 billion over a multi-year investment period.

JISCO (Jamaica/Gansu Industrial Park)

In February 2018, the Provincial Government of Gansu in China signed a Framework Agreement with the Government of Jamaica to develop a proposed 2,500-hectare Industrial Park beside the JISCO/ALPART mining company in Nain, St. Elizabeth, with the focus on manufacturing.

Caymanas Special Economic Zone

Poised to be the focal point of Jamaica's Global Logistics Hub Initiative, the proposed 236.7 hectare multi-use Special Economic Zone promises to be an environmentally friendly industrial estate, boasting world-class infrastructure, telecommunication and energy networks.

Within close proximity to residential, commercial and recreational facilities, this state-of-the-art centre is being developed to embrace the *"work-live-play"* concept adopted in the design of renowned international zones in Singapore and Dubai.

Plans are in train for the Authority's roll-out of Phase 1 of the Gansu SEZ & Industrial Park; and the Caymanas Special Economic Zone (South) in 2021.

[12] *Jamaica Logistics Hub Implementation Plan ... Connecting the Dots.*

THE WAY FORWARD

As detailed in this report, during the period under review the Authority's focus has been on institutionalisation; policy implemention; creating brand awareness; facilitating initiatives to ensure compliance with international trade agreements; and managing the Free Zones' transition into the SEZ Regime.

In the new fiscal year, activities will be centred on consolidating the gains made thus far, and on rolling out two state-of-the-art, large-scale, township-style, cluster-focused Zones.

These Zones will focus on specific industrial clusters that have been identified as priority areas in which Jamaica has a competitive advantage, and include the Creative industries; the Global Services Sector/Business Process Outsourcing; the Automotive; and Pharmaceutical/Nutraceutical sectors.

As the 2018/19 inaugural year ends, I would like to reiterate my appreciation to our portfolio Minister, to the Chairman, the Board of Directors and the Management Team for their unwavering support, and to the staff for the commitment shown throughout the period, as together, we ventured into uncharted waters.

Dr. Eric Deans,
Chief Executive Officer

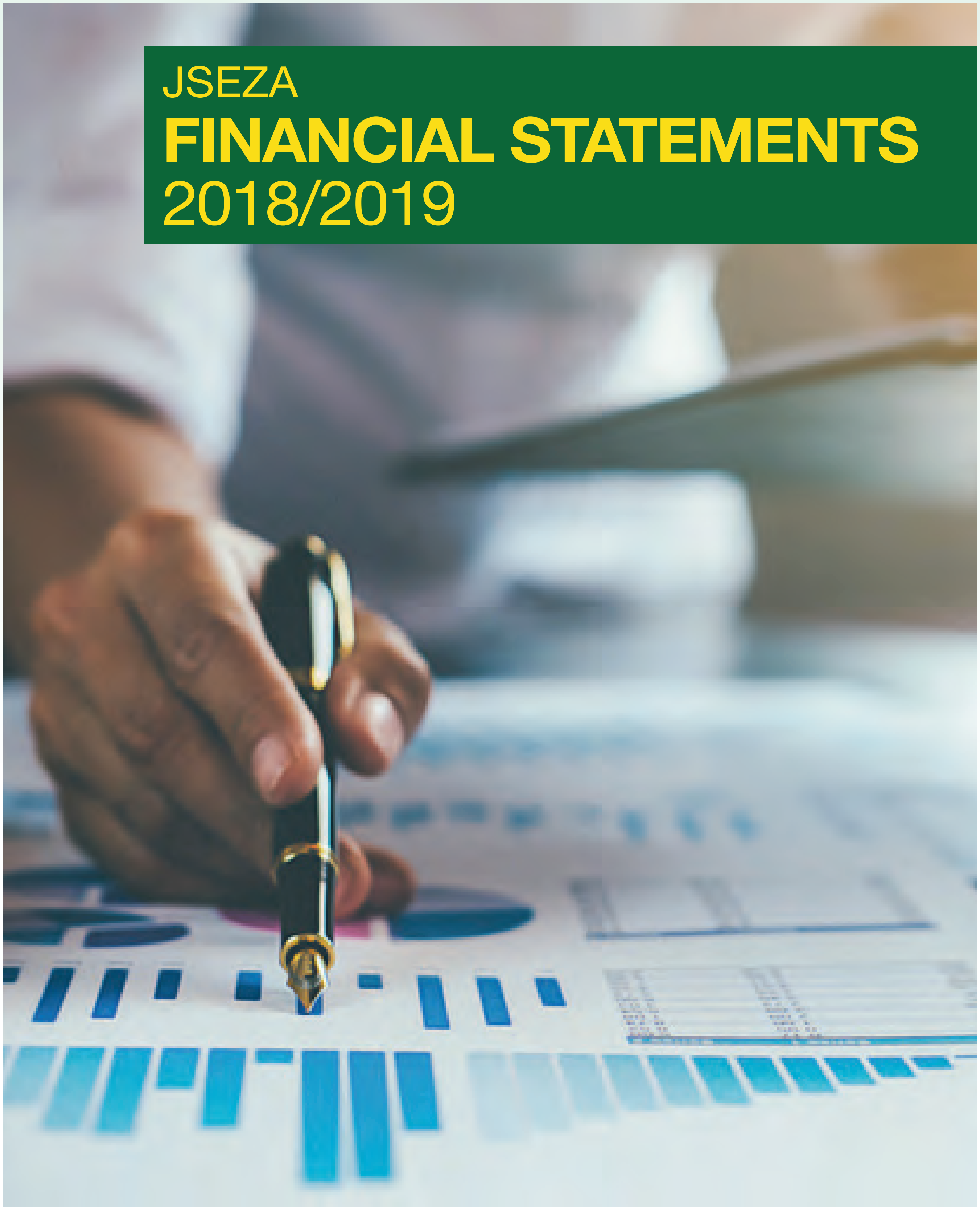
DIRECTORS' COMPENSATION

Names	Fees $	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle $	Honoraria $	All Other Compensation, including non-cash benefits, applicable $	Total
Metry Seaga (Chairman)	90,000.00	-	-	-	90,000.00
Vikram Dhiman (Deputy Chairman)	****This Board member declined compensation for his contributions to the Economic Growth of Jamaica.*	-	-	-	-
Ainsley Powell	54,250.00	-	-	-	54,250.00
Diane Edwards	42,000.00	-	-	-	42,000.00
Pamella C. Folkes	42,000.00	-	-	-	42,000.00
Velma Ricketts-Walker	31,500.00	-	-	-	31,500.00
Deborah Newland	21,000.00	-	-	-	21,000.00
Tashell Powell	5,250.00	-	-	-	5,250.00
	286,000.00	-	-		**286,000.00**

SENIOR EXECUTIVE EMOLUMENTS

Name & Position of Senior Executive	Salary & Salary Arrears	Gratuity (or performance incentives)	Travelling Allowance or Value of Assignment of Motor Vehicle	Pension or Other Retirement	Other Allowances (e.g. seniority, retroactive payments) (laundry, library, robing (acting) (vacation leave)	Non-Cash Benefits	Total
Chantal Bennett - Acting Senior Director, Legal Services	745,440.24		306,733.36		186,651.97		1,238,825.57
Ainsley Brown - Director, Regulatory,Trade and Monitoring	2,751,070.00	2,004,579.68	1,319,260.00		274,507.36		6,349,417.04
Shanalee Cawley - Director, Enterprise Facilitation	2,751,070.00	1,625,340.38	1,319,260.00				5,695,670.38
Eric Deans - Chief Executive Officer	7,749,775.31	3,758,126.66	1,319,260.00				12,827,161.97
Kelli-Dawn Hamilton - Director, Investments, Promotions and Communications	2,751,070.00	1,624,127.71	1,319,260.00				5,694,457.71
Amorley Hibbert - Director, Corporate Services and Finance	2,751,070.00	1,768,359.63	1,319,260.00				5,838,689.63
Sanvia Martin Bailey - Director, Infrastructure and Special Projects	2,751,070.00	2,138,644.00	1,319,260.00		46,380.47		6,255,354.47
Alicia Reid - Senior Director, Legal Services	2,586,326.12		933,544.00		214,570.44		3,734,440.56
Gary Scott - Principal Director, Logistics and Strategic Services	3,763,038.30	1,081,656.86	1,319,260.00				6,163,955.16
Richard Sewell - Director, Compliance and Enforcement	2,751,070.00	1,620,852.14	1,319,260.00				5,691,182.14

JSEZA
FINANCIAL STATEMENTS
2018/2019



SFAI
JAMAICA

Jamaica Special Economic Zone Authority

Year Ended 31 March 2019

Contents

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SFAI
JAMAICA

Independent Auditors' Report
To the Members of
Jamaica Special Economic Zone Authority

Report on the Financial Statements

Opinion
We have audited the financial statements of Jamaica Special Economic Zone Authority ("the Authority"), which comprise the statement of financial position as at March 31, 2019, the statement of comprehensive income, statement of changes in accumulated fund and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at March 31, 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements
Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Authority's financial reporting process.

Independent Auditors' Report (Continued)

To the Directors of Jamaica Special Economic Zone Authority

Report on the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Authority or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Accountants
Kingston, Jamaica

28 February 2020

Jamaica Special Economic Zone Authority

Statement of Comprehensive Income

Year Ended 31 March 2019

	Note	2019 $
Revenue		
Subvention		228,447,224
Registration, Annual Fees and Other Income	4	113,861,115
		342,308,339
Expenses		
Administrative and other operating expenses	5	(198,667,734)
Surplus for the year, being total comprehensive income		143,640,605

Jamaica Special Economic Zone Authority

Statement of Financial Position

31 March 2019

	Notes	2019 $
CURRENT ASSETS		
Cash and cash equivalents	6	815,635
SEZ Fund Account	17	51,271,360
Accounts receivable and prepaid expenses	7	58,246,852
		110.333,847
CURRENT LIABILITIES		
Accounts payable and provisions	8	5,672,688
		5,672,688
NET CURRENT ASSETS		104,661,159
NON-CURRENT ASSETS		
Property, plant and equipment	9	38,979,446
		143,640,605
TOTAL NET ASSET		
EQUITY		
SEZ Fund	17	113,861,115
Accumulated surplus		29,779,490
		143,640,605

The financial statements were approved and authorised for issue by the Board of Directors on February 28, 2020 and signed on its behalf by:

.... Chairman

.... Director

The accompanying notes form an integral part of these financial statements.

Jamaica Special Economic Zone Authority

Statement of Changes in Accumulated Fund

Year Ended 31 March 2019

	SEZ Fund	Balance on Subvention	Total
Balance at 1 April 2018			
Total Comprehensive Income			
Net surplus	-	143,640,605	143,640,605
Transfer to SEZ Fund	113,861,115	(113,861,115)	
Balance at 31 March 2019	113,861,115	29,779,490	143,640,605

Jamaica Special Economic Zone Authority

Statement of Cash Flows
Year Ended 31 March 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Net surplus:	143,640,605
Adjustments to reconcile surplus for year to net cash used by operating activities:	
Depreciation (Note 9)	3,383,374
	147,023,979
Changes in net current assets:	
Accounts receivable and prepaid expenses	(58,246,852)
Accounts payable and provisions	5,672,688
Cash generated from operations	94,449,815
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property, plant and equipment being net cash outflow from investing activities (Note 9)	(42,362,820)
CASH FLOWS FROM FINANCING ACTIVITIES	(42,362,820)
Net increase in cash and cash equivalents	52,086,995
Cash and cash equivalents at the beginning of the year	
Cash and cash equivalents at the end of the year (Note 6)	52,086,995

The accompanying notes form an integral part of these financial statements.

1. THE AUTHORITY

Jamaica Special Economic Zones Authority ("the Authority") is incorporated and domiciled in Jamaica and is a body corporate established in accordance with the Special Economic Zones Act of 2016 ("the Act"). This Act repeals the Jamaica Export Free Zones Act. The principal place of business is situated at 13 Waterloo Road, Kingston 10, Jamaica.

The principal activities of the Authority are to pursue the development and regulation of economic zones in Jamaica.

The manner in which the financial affairs of the Authority were handled from inception to 31 March 2018 classified it as a department of the Ministry of Economic Growth and Job Creation. Since April 1, 2018, the Authority was allocated a subvention over which it had control. These financial statements cover the period of April 1, 2018 through 31 March 2019. No reporting from inception to March 31, 2018 is required.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting polices applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the Jamaican Companies Act.

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Authority applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Authority has not early adopted any other Standard, Interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2019, except for the effect of first-time application of IFRS 9 and IFRS 15, they did not have a material impact on the annual financial statements of the Authority.

- IFRS 9 *Financial Instruments*

In the current year the Authority has applied *IFRS 9 Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRSs that are effective for an annual period beginning on or after 1 January 2018 (including IFRS 7 amendment requiring disclosures about the initial application of IFRS 9). The Authority has applied the transitional provisions of IFRS 9 and has elected not to restate comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of preparation (cont'd)

New standards effective in the current year that is relevant to the Authority's operations

IFRS 9 introduced new requirements for (a) The classification and measurement of financial assets and financial liabilities (b) Impairment of financial assets, and (c) General hedge accounting.

The Authority has applied IFRS 9 in accordance with the transition provisions set out in the standard using the modified retrospective transition approach. As a result, the comparative information is disclosed in accordance with the Authority's previous accounting policy Details of the new requirements and the impact on the financial statements are as follows:

(a) Classification and measurement of financial assets

The date of initial application is 1 April 2018, the date at which the Authority has assessed its existing financial assets and financial liabilities. At the date of initial application an assessment is made as to whether a financial asset meets the business model test for amortised cost or fair value through other comprehensive income (FVTOCI) based on the facts and circumstances that existed at that date. The resulting classification is applied retrospectively irrespective of the business model operating in prior reporting periods. No assessment is made for instruments that have already been derecognized at 1 April 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 April 2018 are not restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured subsequently at amortised cost;
- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

In addition, under IFRS 9, an irrevocable election can be made to present subsequent changes in the fair value of an equity investment that is not held for trading, in other comprehensive income, with only dividend income recognised in profit or loss.

The directors of the Authority reviewed and assessed the Authority's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has not had a material impact as regards their classification and measurement:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (cont'd)

New standards effective in the current year that is relevant to the Authority's operations (cont'd)

Financial Assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of payments of principal and interest on the principal amount outstanding. There has been no impact on the Authority's financial position, net deficit or surplus, other comprehensive income or total comprehensive income in the year. The original classification under IAS 39 as 'Loans and receivables' is now classified under IFRS 9 as 'Amortised cost'.

(c) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred loss model under IAS 39. The expected credit loss model requires that expected credit losses and changes in those expected credit losses to reflect changes in credit risks since the initial recognition of the financial asset, at the end of each reporting period. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires measurement of the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition or if the financial asset is a purchased or originated credit-impaired financial asset. However, if the credit risk on an instrument has not increased significantly since initial recognition (except for those purchased or originated credit-impaired financial assets), the loss allowance is measured for that financial instrument at an amount equal to 12-months ECL. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Items existing on 1 April 2018 that are subject to the impairment provisions of IFRS 9	*Credit risk attributes at l April 2018.*	*Impairment allowance recognised on 1 April 2018*
Trade receivables	Simplified approach applied. Assessed for lifetime ECL	NIL
Other receivables	Assessed for 12-months ECL	None
Cash and bank balances	Assessed at low credit risk at the end of reporting period	None

There was a nil impact on the financial statements as at 1 April 2018 on transition to IFRS 9 as management has assessed that amount as impairment allowance is required given the nature and condition of the financial assets held by the Authority.

(d) General Hedge accounting

These requirements of IFRS 9 do not apply on initial application as the Authority does not apply hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (cont'd)

Amendments to published standard effective in the current year that is relevant to the Authority's operations (cont'd)

- *IFRS* US Revenue from Contracts with Customers

The Authority has applied IFRS 15 (as amended in April 2016) in the current year which is effective for annual periods beginning on or after 1 April 2018. It introduces a new five-step model to revenue recognition. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. It also includes disclosure requirements to provide comprehensive information about the amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The 2016 amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

The Authority has applied IFRS 15 in accordance with the modified retrospective transition approach and has elected not to restate comparative information in accordance with the transitional provisions. As a result, comparative information is disclosed in accordance with the Authority's previous accounting policy.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Authority had no transactions resulting in contract assets on transition to IFRS 15 on 1 April 2018 or at the end of this reporting period. The Authority's accounting policies for its revenue streams are disclosed in detail in note 4 below. Apart from providing additional disclosures for the Authority's revenue transactions, the application of IFRS 15 has not had any impact on the financial position and/or financial performance of the Authority on transition to IFRS 15 on 1 April 2018.

The following additional new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (cont'd)

Amendments to published standard **effective in the current year that is relevant to the** Authority's operations (cont'd)

		Effective for annual Periods beginning on or after
Amendments to Standards		
IFRS 2	Share-based Payment:	
	- Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
	- Removing short- term exemptions; Clarifying certain fair value measurements	1 January 2018
	- Amendments to clarify transfers of property to, or from, investment property	1 January 2018
IFRS 4	- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4	1 January 2018
IFRS 1 and IAS 28	Amendments arising from 2014 —2016 Annual Improvements to IFRS	
	- Removing short- term exemptions; Clarifying certain fair value measurements	1 January 2018
IAS 40	Investment Property	
	- Amendments to clarify transfers of property to, or from, investment property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective or early adopted for the financial period being reported on:

		Effective for annual periods beginning on or after
New Standards		
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Revised Standards		
IFRS 9	Financial Instruments	
	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 2, 11, IAS 12, 23,	Amendments arising from 2015 —2017 Annual Improvements to IFRS	
	- Measurement of previously held interest; Income tax consequences of dividends; Borrowing costs eligible for capitalisation	1 January 2019
IFRS 3, 11, IAS 12, 23,	Amendments arising from 2015 —2017 Annual Improvements to IFRS	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (cont'd)

Standards and amendments to published standard that are not yet effective and have not been early adopted by the Authority

IFRS10, IAS 28	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely by IASB pending research project on equity method of accounting
IAS 19	Employee Benefits -Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long —term interest in associates and joint ventures	1 January 2019
IFRS 3	Business Combinations Definition of a business	1 January 2020
IAS1, IAS 8	Presentation of Financial statements; Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material	1 January 2020
New Interpretations		
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework of Financial Reporting		1 January 2020

Of the above, the following are considered relevant to the operations of the Authority and are likely to impact amounts reported in the Authority's financial statements:

IFRS 16 Leases, (effective for annual periods beginning on or after 1 January 2019). This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases — leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. Early adoption is permitted but not before the Authority applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Authority's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (cont'd)

Standards and amendments to published standard that are not yet effective and have not been early adopted by the Authority

(c) Revenue from contracts with customers (Policy applicable from 1 April 2018)

(i) Revenue *from* contracts *with customers*
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Authority expects to be entitled in exchange for those goods or services.

None of the revenue of the Authority is impacted by this standard.

(iii) Significant financing component
Where the Authority receives short-term advances from customers, using the practical expedient in IFRS 15, the Authority does not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iv) Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Authority performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.
Trade receivables
A receivable represents the Authority's right to an amount of consideration that is unconditional, that is, only the passage of time is required before payment of the consideration is due
Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Authority has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Authority transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Authority performs under the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue from contracts with customers (Policy applicable from 1 April 2018) (continued)

(v) Interest revenue
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Authority and the amount of the income can be measured reliably.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Revenue recognition (Policy applicable before 1 April 2018)

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognized in the income statement for all interest-bearing instruments on an accrual basis unless collectability is doubtful. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the asset's carrying amount on initial recognition.

Revenue comprises cash sales and is recognized when cash is collected.

Revenue is recognized in the statement of comprehensive income when the Authority establishes a right to receive it and it can be reliably measured.

Subvention
Grants that compensate for operating expenses are recognised on the accrual basis.

Service income
Revenue from the provision of services is recognised as the service is provided.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing inventory to their present location and condition is accounted for using the first-in, first-out basis. Net realisable value is the estimated selling price for inventories in the ordinary course of business, less estimated selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f} Property and equipment

The Authority recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Authority's activities as described above.

Items of plant and equipment are recorded at historical or deemed cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Lease improvement	2.5%
Computer equipment	20%
Equipment	20%
Furniture, fixtures and fittings	20%
Motor vehicles	20%
Software	33 1/3%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal or retirement of plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are taken into account in determining profit or loss for the period.

The Authority expects to adopt the standard using a modified retrospective approach where the cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings and comparatives are not restated. Management does not expect the impact of the adoption of this standard to be significant.

(g) Financial instruments (Policy applicable from 1 April 2018)

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized on the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Policy applicable from 1 April 2018) continued

Financial assets
Classification
The Authority classifies financial assets at initial recognition based on the financial asset's contractual cash flow characteristic and the Authority's business model for managing the instruments. The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets.

Initial recognition and measurement
At initial recognition, the Authority measures a financial asset at its fair value plus, in the case of a financial asset that are not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables that do not contain a significant financing component are measured on initial recognition at their transaction price.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in the following categories:
• Financial assets at amortised cost
• Financial assets at fair value through other comprehensive income (FVOCI)
• Financial assets at fair value through profit or loss (FVTPL)
<u>Amortised cost</u>
These assets arise principally from the provision of goods and services to customers as well as other types of financial assets held within a business model where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. The SPPI test is performed at an instrument level. After initial recognition, they are subsequently carried at amortised cost using the effective interest method, less any impairment.
The Authority's financial assets at amortised cost comprise trade and other receivables, investments and cash, bank and deposit balances.

<u>FVTPL and FVOCI</u>
Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and the Authority makes an irrevocable election on an instrument-by-instrument basis to designate the asset as FVOCI. As a result of the election, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversal are not reported separately from other changes in fair value. Dividends representing a return on such investments are recognised in profit or loss as other income when the Authority's right to receive payments is established. Where the asset is held within a business model where the objective is both to collect contractual cash flows and selling the financial assets and the SPPI test is met, the assets are measured subsequently at FVOCI with gains and losses recycled to profit or loss on derecognition.

Derecognition
A financial asset or group of similar financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Policy applicable from 1 April 2018) continued

- The rights to receive cash flows from the asset have expired or;
- The Authority has:
  - (i) transferred its rights to receive the cash flows from the asset or
  - (ii) has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

    and either the Authority
    - (a) has transferred substantially all the risk and rewards of ownership of the asset, or
    - (b) has neither transferred substantially all the risk and rewards of ownership of the asset, but has transferred control of the asset

Where the transfer does not qualify for derecognition as above, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

Impairment
The Authority recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Authority in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate.

The Authority recognises a loss allowance for expected credit losses on trade receivables and other financial assets that are measured at amortised cost applying the expected credit loss model. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. They are generally due for settlement within 30 days and therefore are all classified as current. The Authority recognises lifetime ECL at each reporting date for trade receivables applying a simplified approach. The expected credit losses on these financial assets are estimated based on the historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions adjusted for factors that are specific to the debtors as well as the expected changes in factors or conditions affecting the debt at the reporting date, including time value of money where appropriate. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. They are generally due for settlement within 30 days and therefore are all classified as current. The Authority recognizes lifetime ECL at each reporting date for trade receivables applying a simplified approach. The expected credit losses on these financial assets are estimated based on the historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions adjusted for factors that are specific to the debtors as well as the expected changes in factors or conditions

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Policy applicable from 1 April 2018) continued

affecting the debt at the reporting date, including time value of money where appropriate. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly.

For all other financial instruments, the Authority recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. Significant increase is assessed as the change in the risk of a default over the expected life of the financial asset as at the reporting date with the risk of default on the instrument occurring at the date of initial recognition, considering reasonable and supportable information that is available without undue cost or effort. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Authority measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The credit risk on a financial instrument is assumed not to have increased significantly if it is determined to have a low credit risk at the reporting date taking into consideration all the terms and conditions of the instrument from the perspective of market participants or by use of other methodologies that are consistent with assessing low credit risk for the particular instrument. 12-moth ECL are applied to the Authority's debt securities determined to have low credit risk and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition,

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and a financial asset to be in default when the financial asset is more than 90 days past due and/or internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows in its entirety or a portion thereof. Write off takes place when the Authority's internal collection efforts have been unsuccessful in collecting the amount due. No significant recovery is expected from amounts written off

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

Financial Liabilities
Initial recognition and measurement
All financial liabilities are recognised initially at fair value except for financial liabilities that are not at fair value through profit or loss (FVTPL), where they are recognised net of directly attributable transaction costs of issue. Financial liabilities are subsequently measured at amortised cost, except for those at fair value through profit or loss which are subsequently measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Policy applicable **from** 1 **April 2018) continued**

Measurement category

FVTPL
A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Authority has no financial liabilities at FVTPL

Other financial liabilities
Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Authority's financial liabilities measured at amortised cost comprise trade and other payable and due to related party.

Derecognition

A financial liability is derecognised when the obligation under the instrument is extinguished by being discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

(h) Financial instruments (Policy applicable before 1 April 2018)

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

Financial assets

(i) Classification

The Authority classifies its financial assets in the category "loans and receivables"

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Policy applicable before 1 April 2018) continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables, investments and cash and bank balances.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Authority commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method except for short term receivables, when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriates a shorter period, to the net carrying amount on initial recognition.

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. If any such evidence exists, the amount of the impairment loss recognized is measured as the difference between the assets carrying amount and the current fair value. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss. Other receivables are stated at amortized cost less impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (Policy applicable before 1 April 2018) continued

Financial liabilities

The Authority's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method except for short-term liabilities when the recognition of interest would be immaterial. At the reporting date, the Authority's payables were classified as financial liabilities.

The Authority derecognises financial liabilities when the Authority's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss for the period

(i) Impairment of non-current assets

Plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identified cash flows. Non- financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j} Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits held with financial institutions with maturity of 90 days or less and are held to meet cash requirements rather than for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(m) Pension costs

Pension costs included in the Authority's statement of comprehensive income represent contributions to the scheme (which is administered by separate trustee). Contributions to the scheme, made on the basis provided for in the rules, are accrued and charged against income when due.

(n) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty

The entity makes estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (Continued)

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The entity applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in the statement of comprehensive income through impairment or adjusted depreciation provisions.

4. REGISTRATION, ANNUAL FEES AND OTHER INCOME

Represented by:

	2019
Application Fees (Developer)	6,571,080
Application Fees (Occupant)	2,119,769
Application Fees (Zone User)	12,465
Annual Operating Fees	103,819,966
Exchange gain	1,337,835
	113,861,115

5. EXPENSE BY NATURE

	2019
Advertising and promotion	9,390,838
Bank charges	1,503,580
Board members fee	280,501
Cleaning and sanitation	3,000,995
Consultancy expenses	8,806,650
Courier services and Transportation	87,659
Professional Fees	2,990,354
Depreciation	3,383,374
Staff welfare	25,946
GCT irrecoverable	10,749,290
Local accommodation	266,385
Licenses and permits	4,042,799
Computer expense	2,046,562
Food & Drink	2,443,620
Subscription	795,584
Electricity and water	5,576,599
Other expenses	1,817,120
Overseas travel & accommodation	9,219,476
Security expense	4,193,424
Rental expense	12,238,668
Repairs and maintenance	3,287,510
Salaries, wages and related expenses (Note 10)	95,134,709
Seminar and training	7,799,866
Stationery and office supplies	3,931,048
Survey expense	630,000
Telephone expenses	5,025,177
	198,667,734

6. CASH AND CASH EQUIVALENT

Cash and cash equivalent represents:

	2019
Cash at bank and in hand	52,086,995
SEZ Fund	51,271,360
Cash and cash equivalent	815,635

7. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Accounts receivable and prepaid expenses represent:

	2019
Trade receivables	57,680,798
GCT Recoverable	509,073
Another receivable	56,981
	58,246,852

8. ACCOUNTS PAYABLE AND PROVISIONS

Accounts payable and provisions represent:

	2019
Trade payables	5,442,542
Other payable and accruals	230,146
	5,672,688

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement	Equipment	Furniture fixtures & fittings	Motor vehicles	Computer equipment	Total
Cost						
Additions	24,082,728	3,473,893	3,826,947	4,846,438	6,132,814	42,362,820
March 31, 2019	24,082,728	3,473,893	3,826,947	4,846,438	6,132,814	42,362,820
Depreciation						
Charge for year	2,701,374	222,784	122,660		336,556	3,383,374
March 31, 2018	2,701,374	222,784	122,660		336,556	3,383,374
Net book value						
March 31, 2019	21,381,354	3,251,109	3,704,287	4,846,438	5,796,258	38,979,446

10. SALARIES AND OTHER RELATED COSTS

	2019
Salaries and wages	56,188,928
Employer contribution	4,060,189
Motor vehicle upkeep allowance	19,170,769
Gratuities	15,148,318
Other staff costs	566,505
	95,134,709

11. NET SURPLUS

Net surplus is stated after charging:

	2019
Depreciation	3,383,374

12. TAXATION

The Authority has been granted exemption from income tax under section 12 (b) of the schedule to the Income tax Act.

13. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments.

(i) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where such instruments exist, they are valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable an immediate settlement of the instruments.

(ii) The carrying value reflected in the financial statements for cash and cash equivalents, accounts receivable, bank overdraft, and accounts payable are assumed to approximate to their fair value due to their short-term nature. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement. Loans and other non-current items are carried at their contracted settlement values or reflect the ability to effect set-offs in the amounts disclosed.

(iii) Fair value hierarchy

The Authority measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level I fair value measured based on quoted prices (unadjusted) in active markets for Identical assets or liabilities.

Level 2 - fair value measured based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - fair value measured based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Financial instruments risks.

The Authority has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and cash flow risk. Information about the Authority's exposure to each of the above risks, the Authority's objectives policies for measuring and managing risk is detailed below.

The directors have overall responsibility for the establishment and oversight of the Authority's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities.

13. **FINANCIAL INSTRUMENTS (CONTINUED)**

(c) Credit risk

Credit risk is the risk that one party to a financial Instrument will fail to discharge and cause the other party financial loss.

The Authority manages the credit risk by placing funds with secure financial institutions. In relation to accounts receivable, management has a policy on credit approval and follow-up of receivables

The maximum exposure to credit risk at the reporting date was

Cash and cash equivalents are placed with reputable financial Institutions that are believed to have minimal risk of default.

Credit is only granted to all licensees. The Authority's exposure to credit risk is mainly influenced by the Individual characteristics of each debtor. Management has established a credit policy under which all licensees are billed in arrears and therefore automatically are granted credit. Management’s policy is to revoke the license once the amounts outstanding exceeds six months.

The aging of accounts receivable at the reporting date and the related loss allowance are as follows:

	2019	
	Gross	Impairment
Past due 61-90 days	57,680,798	-
	57,680,798	-

13. **FINANCIAL INSTRUMENTS (CONTINUED)**

(d) Market risk:

Market risk is the risk that the value of a financial Instrument Will fluctuate as a result of changes in the market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market

Management manages market risk by maintaining bank accounts in foreign currency.

i. Interest rate risk

Interest rate risk is the risk that the value of a financial Instrument will fluctuate due to changes in market interest rates.

As at March 31, 2019, the Authority had no significant exposure to this risk

ii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Authority incurs foreign currency risk primarily on purchases, sales and deposits that are denominated in the United States Dollars.
Sensitivity analysis

Concentration of currency risk
The entity is exposed to foreign currency risk in respect of Jamaican dollar equivalent of US dollar denominated assets as follows:

	2019
Bank balances	51,271,360

The following table indicates the sensitivity of surplus/(deficit) to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances and adjusts their translation at the year-end for 6% depreciation and a 4% appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change **in Currency rates** 2019	**Effect on surplus** **2019**
Currency		Increase/ (decrease)
USD	+4	2,050,854
USD	-6	(3,076,282)

There has been no change as to how management monitors or manages market risk.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Authority will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funds through an adequate amount of committed credit facilities.

The contractual maturity of accounts payable and bank overdraft is within six months.

There has been no change as to how management monitors or manages liquidity risk (f) Cash flow risk.

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Authority manages this risk by generally ensuring that cash flows relating to monetary financial assets and liabilities are matched.

(9) Operational risk.

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the entity's processes, personnel, technology, infrastructure and external factors, other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(h) Business risk.

Business risk is defined as the risk to the Authority arising from changes in its business, including the risk that the Authority may not be able to carry out its business plan and its desired strategy. The main business risks identified are the risk of failure of management and the risk of policy change from government rendering the Authority's business model infeasible. To counter this, the Authority has a good governance structure.

14. LEASE COMMITMENT

As at March 31, 2019, the Authority had a Supplemental lease which expires in June 2021.
Amounts charged to profit or loss as expense totaled $11,815,861.00.

15. RELATED PARTY TRANSACTIONS

The Authority has a related party relationship with its subsidiary, other companies under common ownership of directors, as well as with its Directors and senior management. The Directors and senior management of the Authority are collectively referred to as "key management personnel". The following income and expenses were recognised in the statements of comprehensive income during the year:

	2019
Ministry of Economic Growth & Job Creation— Subvention	228,447,224
Key management personnels' compensation	(63,487,749)

16. CAPITAL MANAGEMENT

The Authority's capital consists of accumulated surplus. The Board's strategy is to maintain a strong capital base to support the future development of its operations. The Authority is not subject to any externally-imposed capital requirements. There were no changes to capital management during the year.

17. SEZ FUND

The Special Economic Zone Act mandates the Authority to establish a SEZ Fund to be used for significant capital expenditure.

The Authority may deduct from the fund for supporting scientific research, market research, public relations and vocational training. The Authority is to set aside 65% of its annual net profits to be credited to the fund.

For the year ended 31 March 2019, all monies representing fees collected by the Authority were credited to the fund. The fund is maintained in a separate bank account.

The following represents a reconciliation of the fund:

	2019
SEZ Fund bank account balance	51,271,360
Fees billed but not yet collected (Trade receivables)	57,680,798
Wire transfer costs reported as fees	68,580
Funds utilized to establish bank accounts	780,000
	109,800,738
Exchange rate differential	2,722,542
Total billings for fees collected and uncollected	112,523,280
Revenue from fees reported	113,861,115
Adjusted for other revenue included	1,337,835
Revenue from fees transferred to fund account	112,523,280

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2018/2019