GOJ/IBRD LOAN CONTRACT NO. 8405 - JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
(YEDAIP)
FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 1, 2014 – MARCH 31, 2016
# GOJ/IBRD Loan Contract No. 8405 - JM  
**Youth Employment in Digital and Animation Industries Project (YEDAIP)**  
Financial Statements  
Period October 1, 2014 - March 31, 2016

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GOJ/IBRD LOAN AGREEMENT No. 8405-JM
Ministry of Science, Energy and Technology (MSET)
Youth Employment in the Digital and Animation Industries Project (YEDAIP)
Period October 1, 2014 – March 31, 2016

AUDIT CERTIFICATE

The audit of the Ministry of Science, Energy and Technology (MSET) Youth Employment in the Digital and Animation Industries Project (YEDAIP) was conducted in accordance with Article II Section 2.07 (b) of the Standard Conditions for Loan between the Government of Jamaica (GOJ) and the International Bank for Reconstruction and Development (IBRD) dated August 14, 2013.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The executing agency, the Ministry of Science, Energy and Technology, is responsible for the preparation and fair presentation of these Financial Statements, in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis. This responsibility includes: designing, implementing and maintaining internal controls, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether, due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Ministry is also required to present audited Financial Statements to the IBRD.

The attached Financial Statements and supplementary financial information which are described hereunder were submitted to me by the Project Implementation Unit (PIU) to reflect the transactions of the Programme from its inception in October 2014 to the close of the financial year at March 31, 2016.

Statement 1 Statement of Sources and Uses of Funds
Statement 2 Statement of Cumulative Investments by Disbursement Category
Statement 3 Designated Account Reconciliation Statement as at March 31, 2016
Statement 4 Statement of Disbursement Linked Indicators Achieved

Notes to the Financial Statements
AUDITOR’S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

These Statements and the supporting accounting transactions and records were examined in accordance with generally accepted auditing standards recommended by the INTOSAI and accordingly, included such test and other procedures as I considered necessary. I have obtained all the information and explanations which I required.

OPINION – FINANCIAL STATEMENTS

In my opinion, the appended Statements 1-2 and Supplementary Financial Information reflect a true and fair view of the transactions of the Project for the period under review and the transactions conformed to the terms of the Loan Agreement.

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND FINANCIAL CLAUSES OF THE LOAN AGREEMENT

During the period under review, I examined compliance by the Project Coordination Unit of the Executing Agency with the applicable laws and regulations related to the Project’s financial activities and with the accounting/financial/management clauses of the Loan Agreement No. 8405-JM. With the exception of the items highlighted below there was general compliance with the following articles contained in the Loan Agreement mentioned below:

| Article III | Section 3.01: Article V of the General Conditions |
| Article III | Section 3.02: Schedule 2 Project Execution |
|            | Section I Implementation Arrangements |
|            | Section II Project Monitoring, Reporting and Evaluation |
|            | Section III Procurement |
|            | Section IV Withdrawal of Loan Proceeds |

NON-COMPLIANCE TO CLAUSES IN LOAN AGREEMENT

a) The Project Steering Committee for YEDAIP did not meet as stipulated in the loan agreement. The evidence provided indicated that this committee only met once for the financial year April 2015 to March 2016. However, management indicated that the Committee met on four occasions during the period October 2014 to March 2015.

Additionally, YEDAIP did not implement the following as required by the loan agreement:
b) An Advisory Board to provide strategic and policy guidance.

c) A Project Operations Manual to guide the operations of the Project.

d) We saw no evidence that the Project Manager prepared and submitted bi-annual Progress Reports to the World Bank.

**OPINION – GENERAL**

In my opinion, the PIU did not maintain an adequate accounting system based on separate and clearly identifiable accounts which enabled the recording, monitoring and reporting of the operations and costs under the programme in accordance with satisfactory accounting/financial/management practices and standards as required by Schedule II Section 2 (B) of the Loan Agreement.

**AUDIT OF THE SPECIAL BANK ACCOUNT**

I have examined the appended Special Bank Account Statement – Statement 3, reflecting the movement in the Special Bank Account for the period ended March 31, 2016. The Special Bank Account No. 810142 is maintained in United States Dollars in the name of the Ministry of Finance/Youth Employment in the Digital and Animation Industries Project Loan Agreement No. 8405-JM. My examination was made in accordance with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and accordingly included such tests of the accounting records and other procedures I considered necessary.

**OPINION – SPECIAL BANK ACCOUNT**

In my opinion, the Special Bank Account Statement reflects the balance in the Special Bank Account at March 31, 2016 as well as the transactions made during the period October 1, 2014 to March 31, 2016 in conformity with International Public Sector Accounting Standards (IPSAS) Cash Basis.

Auditor General of Jamaica

Date
GOJ/IBRD LOAN AGREEMENT No. 8405-JM
Ministry of Science, Energy and Technology (MSET)
Jamaica Youth Employment in the Digital and Animation Industries Project (YEDAIP)
Period October 1, 2014 – March 31, 2016

AUDIT OF STATEMENTS OF EXPENDITURE (SOE) PROCEDURES

In the course of the Audit of the Ministry of Science, Energy and Technology (MSET) Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the eighteen-month period ending March 31, 2016, I examined the following statements of expenditure submitted to the IBRD during the financial year under review in support of applications for advance of funds from the Loan Account in accordance with the Loan Agreement:

<table>
<thead>
<tr>
<th>Application Number</th>
<th>Date Advanced</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>January 29, 2015</td>
<td>43,215.00</td>
</tr>
<tr>
<td>2</td>
<td>May 13, 2015</td>
<td>498,761.65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>541,976.65</strong></td>
</tr>
</tbody>
</table>

The examination was done in accordance with generally accepted auditing standards and procedures prescribed by INTOSAI and accordingly, included such tests as the verification of the internal control systems and of the accounting records, tests of the origin and eligibility of expenditures, certification and procurement procedures for goods and services, filing of supporting documents and such other auditing procedures as I considered necessary in the circumstances.

Opinion

In my opinion, the statements of expenditure and the annexes submitted in support of them, together with the internal controls procedures used in their preparation can be relied upon to support the applications for advance in conforming to the requirements of the Loan Agreement.

Auditor General of Jamaica
GOVERNMENT OF JAMAICA - IBRD LOAN #8405-JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE EIGHTEEN MONTHS ENDED MARCH 31, 2016

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Period Ending March 31, 2016</th>
<th>Cumulative as at March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>US$</td>
</tr>
<tr>
<td>World Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated Account</td>
<td>4</td>
<td>541,976.65</td>
</tr>
<tr>
<td>Direct Payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Disbursement Method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Front End Fees</td>
<td></td>
<td>50,000.00</td>
</tr>
<tr>
<td>Total Funds Received</td>
<td>5</td>
<td>591,976.65</td>
</tr>
</tbody>
</table>

| Uses of Funds          |               |                   |
| Loan Categories        |               |                   |
| Component 1: Skills & capacity to Enhance Employability & Entrepreneurship | 234,148.79 | 234,148.79 |
| Component 2: Establishment of Startup Jamaica | 101,184.11 | 101,184.11 |
| Component 3: Early stage Investment for Tech. Startups | - | - |
| Component 4: Support to Science, Technology & Innovation | - | - |
| Component 5: Project Administration | 164,544.48 | 164,544.48 |
| Front End Fees         |      | 50,000.00 | 50,000.00         |
| Total Loan Expenditures| 6    | 549,077.38 | 549,877.33        |
| Net Cash Movement      |      | 42,099.27 | 42,099.27         |

| BANK BALANCES          |               |                   |
| Opening Cash Balances  |               |                   |
| Designated Account     | -              | -                 |
| Project Account        | -              | -                 |
| Total Opening Balance  | -              | -                 |
| Closing Cash Balances  |               |                   |
| Designated Account     | 991.32         | 991.32            |
| Main Project Bank Account | 41,107.95    | 41,107.95         |
| Total Closing Balance  | 7              | 42,099.27         |
| Available Cash Balance as at March 31, 2016 | 42,099.27 | 42,099.27 |

Approved for issue on September 15, 2016 by:

Neville Cadogan - Financial Management Specialist
Margery Newland - Project Manager
Hillary Alexander (Mrs.) - Permanent Secretary

Ministry of Science, Energy & Technology

The accompanying notes on pages 9 - 13 form an integral part of the financial statements.
GOVERNMENT OF JAMAICA IBRD LOAN #8405-JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE EIGHTEEN MONTHS ENDED MARCH 31, 2016

<table>
<thead>
<tr>
<th>Category #</th>
<th>Description</th>
<th>Current Year</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GO; CS; NCS; TRN; OP</td>
<td>499,877.38</td>
<td>499,877.38</td>
</tr>
<tr>
<td>2</td>
<td>Research Grant under p.4(a) of the Project</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Scholarship under p1(g) of the Project</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Front-end Fee</td>
<td>50,000.00</td>
<td>50,000.00</td>
</tr>
</tbody>
</table>

Total: 549,877.38

Approved for issue on September 15, 2016 by:

Neville Cadogan - Financial Management Specialist

Margery Newland - Project Manager

Hillary Alexander (Mrs.)
Permanent Secretary
Ministry of Science, Energy & Technology

The accompanying notes on pages 9 – 13 form an integral part of the financial statements
GOVERNMENT OF JAMAICA IBRD LOAN #8405-JM
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT
SPECIAL ACCOUNT RECONCILIATION
AS AT MARCH 31, 2016

Bank Account #810142 - Bank of Jamaica ; Nethersole Place; Kgn.

1 Total advanced by World Bank 541,976.65
2 Less: Total amount Documented by World Bank 145,486.73

3 Present Outstanding Amount Advanced to the Designated account (1-2) 396,489.92

4 Balance of Designated account Per Attached Bank reconciliation Statement as at March 31, 2016 991.32
5 plus amount Claimed in this Application 395,498.60
6 Plus: Total amount Withdrawn and not yet Claimed -
7 Plus: Amounts Claimed in Previous Applications not yet Credited at the date of the bank statement -
8 Less: Interest Earned -
9 Total Advances Accounted for (#4 through #9) 396,489.92

10 Discrepancies between (#3 & #9)- see explanation below -

Approved for issue on September 15, 2016 by:

Neville Cadogan- Financial Management Specialist

Margery Newland - Project manager

Hillary Alexander (Mrs.)
Permanent Secretary
Ministry of Science, Energy & Technology

The accompanying notes on pages 9 – 13 form an integral part of the financial statements
GOVERNMENT OF JAMAICA IBRD LOAN #8405-JM  
YOUTH EMPLOYMENT IN DIGITAL AND ANIMATION INDUSTRIES PROJECT  
STATEMENT OF DISBURSEMENT LINKED INDICATORS (DLI) ACHIEVED  
EIGHTEEN MONTHS ENDED MARCH 31, 2016

<table>
<thead>
<tr>
<th>Description of DLI</th>
<th>DLI Amount</th>
<th>Date Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>3) Private Capital mobilised</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 9 – 13 form an integral part of the financial statements.
1. **OVERVIEW**

A loan was awarded to the Government of Jamaica by the International Bank for Reconstruction and Development (IBRD) Technical Assistance Program. The loan is being administered by the International Bank for Reconstruction and Development (IBRD). The loan proceed is **USD20.0 Million**.

The objective of the project is to support Youth Employment in the Digital and Animation Industries in Jamaica. It is estimated that the project will directly and indirectly benefit approximately 15,000 young people between the ages of 15-30 years in both Urban and Rural areas.

**PROJECT COMPONENTS**

The Youth Employment in the Digital and Animation Industries Project consists of five parts:

**Part I. Skills and Capacity to Enhance Employability and Entrepreneurship**

Building the capacity and enhancing the skills of Jamaica’s youth to improve their employability in the growing animation industry through:

- a. expanding the existing 2D Animation Training Program at selected vocational and tertiary educational institutions;
- b. establishing 2D and/or 3D Animation Training Programs at selected secondary, vocational and tertiary educational institutions;
- c. establishing an accredited university degree program for professional animators;
- d. developing a business acceleration program for animation studios whereby companies undergo an intensive selection process and surrender some of the equity in their companies in return for seed capital, training and mentorship;
- e. developing training program to increase the quantity and quality of software programmers and product designers;
- f. organizing competitions to identify youth with best talents in the digital and animation fields;
- g. providing need-based scholarships to enable youth from lower-income families and vulnerable communities to participate in the training activities; and
- h. developing a policy framework and strategic plan for the animation industry.
Part II. Establishment of Startup Jamaica

Establishing Startup Jamaica, a technology hub, to host the Acceleration Program and other training initiatives for startup companies in partnership with private sector companies through:

a. carrying out communication and outreach campaigns to target youth with business ideas to join the Acceleration Program;

b. designing and providing in-depth technical and business training to selected youth, including hands-on service provider support and external speakers/faculty trainers;

c. designing and implementing the Acceleration Program for tech start-ups; and

d. recruiting relevant technical staff to manage the Acceleration Program and other training initiatives.

Part III. Early Stage Investment for Tech Startups

Increasing the amount of private sector investments in youth startup companies, through:

a. organizing workshops and meetings to facilitate the establishment and support of a Jamaica Angel Investor Network;

b. carrying out feasibility studies, policy dialogue and workshops for promoting the use of Royalty-based Equity Loans;

c. carrying out awareness-raising campaigns and dialogue with potential investors to promote the establishment of Pre-purchase and Equity Crowd Funding Platforms;

d. carrying out public awareness campaigns on Early Stage Investments; and

e. establishing a targeted program to build trust among investors and Early Stage Companies, through provision of consulting services, goods and non-consulting services.

Part IV: Support to Science, Technology and Innovation

Strengthening Jamaica's capacity in science, technology and innovation, through:

a. provision of Research Grants to eligible Research Grant Beneficiaries to carry out innovation IT research application with commercial potential; and

b. enrolling selected applicants into the programs of Startup Jamaica.
Part V: Project Administration

Strengthening the institutional capacity for Project Management, including:

a. carrying out financial management and procurement under the Project;
b. preparing Project Reports;
c. publishing calls for research proposals;
d. coordinating the various institutions participating in the Project;
e. providing management and implementation support; and
f. monitoring and evaluating Project progress and results; all through provision of goods, works, technical advisory services, training and operating costs.

MANAGEMENT REPORT

The Annual Report is submitted by management for the Youth Employment in the Digital and Animation Industries Project (YEDAIP) for the period October 2014 to year ended March 31, 2016.

AUDITING OF THE PROJECT

The Project is currently audited by the Auditor General’s Department.

The Auditors,
Auditor General’s Department,
40 Knutsford Boulevard,
Kingston 5,
Jamaica.

2. The Budget

This is the amount allocated based on the Government of Jamaica approved budget allocation to the Ministry of Science, Energy and Technology.
3. Summary of Accounting Policies

I) Basis of Preparation

The Project Accounting Unit (PAU) uses the cash basis of accounting to account for the project’s transactions. Under this basis, income is recognized when funds are received rather than when requested and expenses are recognized when payment is made rather than when obligations are incurred. Since the main objective of these financial statements is to disclose the sources and uses of funds, it is not necessary to present information adjusted for inflation.

II) Recording of Transactions

Transactions are entered in local currency. However, transactions are converted for preparation of the financial statements. Receipt and expenditure in local currency are translated into US dollars, by applying the commercial bank rate at which the disbursement was received.

III) Fluctuation rate and fees

All fees and charges for un-disbursed loan funds, as well as losses due to exchange rate fluctuations are not considered eligible project costs and are absorbed by the Government of Jamaica.

IV) Equipment and other fixed assets

Equipment and other fixed assets procured with project resources are recorded at their acquisition cost at the date of purchase. Depreciation is not charged on these assets and is also not reflected in these financial statements.

V) Exchange Rate for the period

Expenses paid from the Jamaican dollar project account held with National Commercial Bank, were converted by applying the exchange rate at which the commercial bank transferred funds from the Special Bank account to the local Administrative bank account.
Youth Employment in the Digital and Animation Industries Project
Notes to the Financial Statements
For Period 1 October 2014 to 31 March 2016
Expressed in USD

4. Disbursement Request

<table>
<thead>
<tr>
<th>Disbursement Request Date</th>
<th>Disbursement Number</th>
<th>Amount US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 29, 2015</td>
<td>1</td>
<td>43,215.00</td>
</tr>
<tr>
<td>May 13, 2015</td>
<td>2</td>
<td>498,761.65</td>
</tr>
<tr>
<td>Cancelled</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>541,976.65</strong></td>
</tr>
</tbody>
</table>

This represents the total advance issued by the IBRD for the period ending March 31, 2016.

5. Source of Funds

The amount of USD 0.592 Million (cumulatively USD 0.592 Million) was received from the World Bank for the period under review, this amount is inclusive of front-end fee (USD 0.050 Million) charged by the Bank.

6. Use of Loan Funding

Total funds invested during the period amounts to approximately USD 0.550 Million (cumulatively USD 0.550 Million).

7. Cash availability as at March 31, 2016

The cash available as at March 31, 2016, as expressed in US dollars is:

<table>
<thead>
<tr>
<th>Bank Accounts</th>
<th>Total Cash Available US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Account</td>
<td>991.32</td>
</tr>
<tr>
<td>Administrative Account</td>
<td>41,107.95</td>
</tr>
<tr>
<td><strong>Total Closing Balances</strong></td>
<td><strong>42,099.27</strong></td>
</tr>
</tbody>
</table>

This represents the cash balances at the end of the period for the Special Bank Account Number 810142 and Project Administrative Bank Account Number 351168250. This Special Account is the Designated Account operated by the Bank of Jamaica for the disbursement of loan funds. Funds disbursed by the World Bank for the Project is directly transferred to this account.