



MINISTRY PAPER

14

FIFTH REPLENISHMENT OF THE SPECIAL DEVELOPMENT FUND OF THE CARIBBEAN DEVELOPMENT BANK (CDB)

- 1 The House of Representatives is being asked to consider the proposal by the Contributors to the Special Development Fund (SDF) of the Caribbean Development Bank (CDB) that Jamaica, as a member of the CDB, should contribute US\$5.00 million to the Fifth Replenishment of the Resources of the Special Development Fund (SDF V) over the four year period commencing January 1, 2001.
- 2 The Special Development Fund has been an integral part of Caribbean Development Bank (CDB) Operations since its establishment in 1970. The CDB's Charter created the Special Development Fund to be used to make or guarantee loans of high development priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those applicable to the Bank's ordinary operations.
- 3 The operations of the Caribbean Development Bank are of two kinds: Ordinary Operations and Special Operations. Ordinary operations are financed from CDB's share capital, the proceeds of loans raised in capital markets, borrowed or acquired for inclusion in its Ordinary Capital Resources (OCR), and embraces all Borrowing Member Countries.
- 4 Special Operations are financed largely from the Special Development Fund for onlending to deserving projects at low rates of interest and extended maturities, considering the economic circumstances of the country as well as project requirements. A project may be financed by both types of resources, but the CDB's Special Operations are concentrated in its Less Developed Member Countries.
- 5 The Board of Directors of the Caribbean Development Bank, determined that the Bank should carry out negotiations and seek contributions for a replenishment of its Special Development Fund to finance the Bank's concessionary lending programme for the four-year period commencing January 1, 2001.
- 6 The SDF as a tool of CDB operations can be deemed one of the most effective in terms of being able to directly target the poor in the region, address community environmental sustainability concerns, education and health issues at the various national levels.

Role of Special Development Fund V

- 7 Three central priorities will receive attention in the SDF V, which are:
- ◆ Enhancement of the capabilities of people who are poor or vulnerable to poverty
 - ◆ Reduction of the vulnerability of deprived social and population groups to economic volatility, natural and man-made disasters and other risks that impact on income and well-being.
 - ◆ Good governance, to support poverty reduction and broad based economic growth.
- 8 Within the SDF V Cycle it is expected that the CDB membership will expand to include non-English speaking Caribbean territories as well as the accession of Haiti. The inclusion of the latter will result in a doubling of the population of BMC's and quadruple the level of poverty thereby creating the need for additional resources beyond the ordinary.

Financial Assistance Programme

- 9 The existing Contributors agreed on new contributions of US\$125 million for SDF V, which would support a minimum programme level of operations during 2001-2004 of US\$185 million, inclusive of commitment authority generated from repayments, net income and other internal resources.

FUND	Amount US\$ mns
Regional Projects	5.00
Natural Disasters, transitions in economic structure, HIV/AIDS.	25.00
Allocated amongst BMC's	145.00
Commencement of Operations in Haiti & Suriname	10.00
TOTAL	185.00

- 10 The Contributors have also established a target programme level of US\$210 million, which incorporates the needs of traditional Borrowing Member Countries and the expected new members of Haiti and Suriname. Assessments indicate that the level of new contributions necessary to support this additional level of commitment is US\$150 million. New contributors will be required and are being solicited in order to attain this target.
- 11 Jamaica has benefited from participation in the SDF over the years.

In 1999, a loan was provided to the Jamaica Social Investment Fund to assist in the design and implementation of community based projects. The impact of this on-going project as a whole, will be seen in improved living conditions for about 300,000 persons in 80 poor communities. Under this programme 261 subprojects valuing US\$31.3 were in various stages of implementation as at June 2000.

- 12 The following is an indication of the projected pipeline of projects for Jamaica, using SDF finances for the 2002/2003 period:

PROJECT	AMOUNT US\$ million	FUNDING SOURCE	SCOPE OF PROJECT
Basic Schools Enhancement	14.00	8.00 OCR 7.00 SDF	Improvement in the learning environment, teacher education and curricula at the pre primary level
Irrigation Development	10.00	8.00 OCR 2.00 SDF	Irrigation rehabilitation programme in selected areas of rural Jamaica
Flood Damage Control	5.00	5.00 SDF	Establishment of flood control measures
Watershed Management	5.00	2.50 OCR 2.50 SDF	Assistance to small farmers to reduce watershed degradation through the use of improved crop husbandry and biological techniques.
TOTAL	34.00	15.50 SDF 18.50 OCR	

Financial Implications for Jamaica

- 13 Jamaica is required to contribute a total of US\$5.00 million to the Fifth Contribution Cycle of the Special Development Fund, over the next four financial years commencing January 1 2001-2004. The Instrument of Contribution, to be given to the CDB indicates that Jamaica's contribution will be subject to budgetary appropriations and will therefore be a qualified contribution.
- 14 Jamaica will be required to pay four installments of US\$1,250,000 each year commencing January 1 2001, of which twenty-five percent (25%) of this sum or US\$312,500 must be paid in cash.
- 15 Jamaica can avail itself of the option of effecting payment of the balance, through the issuing of non-interest bearing Promissory Notes in four equal instalments, in lieu of immediate cash payments, in accordance with the rules of the Resolution of Contributors to the Special Development Fund.

Consequently, the balance of US\$937,500.00 will be paid by Promissory Note. The First Instalment of cash and Note, becomes due March 31 2002 with the other installments to be paid consecutively by July 31 in subsequent years.

16 The authority to make the increase in subscription is vested in the Minister of Finance, by virtue of Section 4 (1) of the Caribbean Development Act. In addition, the Extract from the House of Representatives, along with the Instrument of Contribution signed by the Minister of Finance and Planning on behalf of the Government of Jamaica, would suffice to affirm that all the procedures have been put in place to make the SDF V contribution.

17 The Attorney General's Chambers on reviewing the Resolution of Contributors to the Special Development Fund with respect to the Fifth Replenishment, in addition to the Instrument of Contribution concludes that:

- ◆ all is in conformity with the Rules of the Special Development Fund and
- ◆ there is no legal objection to Jamaica fulfilling its obligations as a Contributor to the Special Development Fund or to the Fifth Replenishment (SDF 5).

18 Cabinet in its decision No.7/02 dated 23.02.02 agreed to the following recommendations and The House of Representatives is also asked to agree that:

- i. Jamaica should contribute US\$5 million towards the Fifth Replenishment of the Resources of the Special Development Fund of the Caribbean Development Bank, over the four-year "Contribution Cycle" - January 1, 2001 to December 31, 2005.
- ii. Jamaica should avail itself of the option of effecting part payment though the issuing of non-interest bearing Promissory Notes in four (4) equal instalments of US\$937,500 prior to July 31 of each year, in addition to the cash payment of US\$312,500.00 in accordance with the rules of the Resolution of Contributors to the Special Development Fund V of the Caribbean Development Bank.


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