

**Government Guarantee in respect of the Fifth Industrial Line of Credit to r the  
Development Bank of Jamaica from the Caribbean Development Bank for Tourism  
and Industrial Development**

*Introduction*

1. The Honorable House of Representatives is being invited to consider and approve the request to provide a Government Guarantee, under the provisions of the Approved Organizations and Authorities Loan (Government Guarantee) Act, to the Caribbean Development Bank (CDB) on behalf of the Development Bank of Jamaica (DBJ), for a loan of US\$25,000,000.00. The proposed loan is in the form of an Industrial and Tourism Line of Credit signed between the CDB and the DBJ and will be utilized to strengthen the tourism and export sectors.

*Background*

2. The proceeds of this loan project is intended primarily for projects in the tourism sector and is consistent with the Government of Jamaica's strategy to strengthen foreign exchange earnings and long-term employment activities in Jamaica. The tourism sector was one of the main contributors to economic growth in 2003 and the sector is earmarked as one of the main drivers of economic expansion in the near future.

3. The main objective of the project is to provide resources to the DBJ for on-lending to Approved Financial Institutions (AFIs) for final lending to companies that are mainly engaged in tourism related or industrial activities that are net earners or savers of foreign exchange. The GOJ recently published the Tourism Master Plan, which sets out areas for enhancing the tourism investment and development for the next ten years. The tourism master plan encourages increased partnership between the public and private sector, and outlines specific activities for financiers, hotel operators and tourism sector agencies and associations.
4. Included among the projects to strengthen the tourism sector is the development, financing, construction, equipping and leasing (BOL: build-own-lease) of a 360-room all-inclusive hotel resort on a 40-acre site located at White-House, Westmoreland, on the south coast of Jamaica, approximately 45 minutes from the Sangster International Airport in Montego Bay.
5. This development is being undertaken through a newly formed company, Ackendown Newtown Development Company Ltd. (Newtown Development). Upon completion, the hotel will be leased to Gorstew Limited/Sandals Resorts and operated as "Sandals Whitehouse".
6. The development is expected to cost US\$70.1 million. The cost of land is excluded from the mentioned cost since land will be transferred without charge

from one of the equity sponsors-Gorstew Limited to the Newtown Development. The projected completion date of the hotel is March 2005 and it should be fully operational by May 2005.

7. The development is to be funded by a combination of public and private sector participation. Newtown Development's funding is via a subscription of ordinary and preferred shares along with senior and subordinate debt. The senior debt is to be provided by the DBJ, which has been sourced from the CDB and carries the following financial terms:


*Financial Terms*

8. The contractual amount of the Industrial and Tourism Line of Credit facility is **US\$25,000,000.00.**
9. The principal is to be repaid in sixty (60) consecutive quarterly installments. The term of the loan is eighteen (18) years inclusive of a three (3) grace period.
10. A rate of interest initially fixed at 5.5% is payable quarterly along with the principal installments.
11. Commitment Charge of 1.0% per annum on the daily un-utilized portion of the loan amount.

12. The Ministry of Finance and Planning has found the financial terms acceptable, particularly the relatively low fixed interest rate.

*Recommendation*

13. Accordingly, the Honorable House of Representatives is being asked to approve the provision of a Government Guarantee, under the provisions of the Approved Organizations and Authorities Loan (Government Guarantee) Act, for the proposed Industrial and Tourism Line of Credit facility between the DBJ and the Caribbean Development Bank of Jamaica in the amount of US\$25,000,000.00.

  
Omar Davies, MP  
Minister of Finance and Planning  
November 2, 2004

