

## MINISTRY PAPER

**Government Guarantee of a loan in the amounts of €8,583,733.00 and US\$6,675,196.00, an equivalent of US\$16.08 million, to The National Water Commission (NWC) from a consortium of banks led by BNP Paribas.**

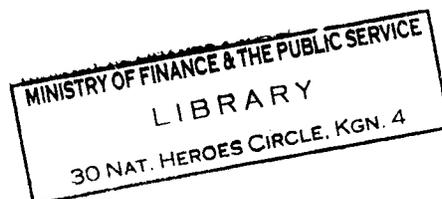
---

**Issue**

1. The Honourable House of Representatives is invited to consider the request for a government guarantee under the provision of the Approved Organizations and Authorities Loans (Government Guarantee) Act of a for a loan in the amounts of €8,583,733.00 and US\$6,675,196.00, an equivalent of US\$16.08 million, to the National Water Commission from a consortium of banks led by BNP Paribas.

**Background**

2. In 2001 and 2004 the NWC secured the services of the French firm Sogea-Satom to execute the Martha Brae to Harmony Hall Phase of the North Western Parishes Water Supply Improvement Project (NWPP).
3. The NWC plans to increase the scope of works for the North Western Parishes Improvement Project (Martha Brae/Duncans Water Supply and Network Improvement) to extend the transmission pipeline to Runaway Bay by way of a variation to the existing contract (NWP Extension). The National Contracts Commission on 22<sup>nd</sup> June 2006 approved the extension of the existing Contract between NWC and Sogea-Satom for the Martha Brae to Harmony Hall Phase of the NWPP in the amount of US\$16.92 million.
4. A Loan Agreement to finance the cost of the extension of the project was executed on February 28, 2007 between the NWC and BNP Paribas. This agreement represents an addendum to a loan agreement signed on November 19, 2004 to finance the north- western parishes water supply project.



## Considerations

5. Jamaica will benefit through increased economic activities with the Harmony Hall to Runaway Bay Phase of the NWPP extension project. Local staff will be used for at least a year from the start of the contract. The Project will also contribute to an efficient, modern and flexible water supply system for the North West Coast of Jamaica from Negril to Runaway Bay.
6. Cabinet Decision No.39/06 dated 13<sup>th</sup> November 2006, gave approval for:
  - a. The National Water Commission to enter into a contract with SOGEA-SATOM to execute the Harmony Hall to Runaway Bay Phase of the north- western parishes water supply Improvement Project as a variation to the existing contract for the North Western Parishes Water Supply Improvement Project; and
  - b. The Ministry of Finance and Planning to provide the requisite Government Guarantee of loans to finance the Project.

## Financing Terms

7. The Loan will be divided into two portions; Tranche 1 representing the existing financing terms and Tranche 2 represents the terms for the additional amount to the Loan Agreement. The following are the agreed terms and conditions for the financing of the additional amount under the Addendum Agreement:

Loan Amount	€8,583,733.00 and US\$6,675,196.00, an equivalent of US\$ 16.08 million
Moratorium	Fourteen (14) month
Principal	Twenty (20) equal and consecutive semi-annual installments.
Interest	Fixed at the C.I.R.R rate of <b>4.96% p.a</b> , payable semi-annually.
Commitment Fee	0.5% of the undisbursed balance
Management Fee	1.0% flat
COFACE (insurance premium)	10.65% flat

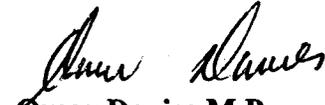
Structuring Fee	0.40% flat
Security:	a. Guarantee of the Government of Jamaica;
	b. Executed Loan Agreement
	c. Promissory Notes

8. NWC will provide US\$2.5 million (Euro 1.28 million + US\$0.97 million) for the project, and proposes to recover a portion of the investment through the charging of impact fees to new developments that benefit from this water supply project. The project will provide increased opportunities for tourism and residential developments in the project area. Recent developments that will benefit include Riu Hotel, Iberostar, Pinero Hotel and the Green Field Stadium.
9. The fee contribution will be based on the additional funding that must be provided to the project to make it financially feasible and apportioned based on the capacity availed and the demand for the particular development.

#### **Recommendation**

10. The Honourable House of Representatives is accordingly asked to approve:

- a. The issuance of a Government of Jamaica Guarantee under the provisions of the Approved Organizations and Authorities Loans (Government Guarantee) Act in respect of a loan in the amounts of €8,583,733.00 and US\$6,675,196.00, an equivalent of US\$ 16.08 million, to the National Water Commission from a consortium of banks led by BNP Paribas.
- b. Moving of the necessary Resolution

  
**Omar Davies M.P.**  
**Minister of Finance & Planning**  
**April 5, 2007**