

# MINISTRY PAPER NO. 65.....

## Ninth Replenishment of the Special Development Fund of the Caribbean Development Bank

---

### Purpose

1. The Honourable House of Representatives is being asked to consider the proposal made by the Contributors to the Special Development Fund (SDF) of the Caribbean Development Bank (CDB) that Jamaica, as a member of the CDB, contribute US\$11,079,000 to the Ninth Replenishment of the resources of the Special Development Fund (SDF IX) over a four (4) year period that commenced on January 1, 2017.

### Background

2. The SDF has been an integral part of the CDB's operations since its establishment in 1970, and represents a partnership between Non-Regional and Regional Non-Borrowing Members and the Bank's Borrowing Member Countries (BMCs), all of which, contribute to the resources of the Fund. The Fund was created 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 Capital Resources (OCR).

3. The Board of Directors of the CDB had determined that the Bank should carry out negotiations for a Replenishment of its Unified Special Development Fund (hereinafter called the 'Special Development Fund') to finance the Bank's concessionary lending programme for the four-year period commencing January 1, 2017.

4. The concessionary operations of the CDB are financed largely from the SDF on lending to projects at lower rates of interest and extended maturities, with due consideration of the economic circumstances of the relevant country, as well as project requirements.

### Issue

5. The justification for the Ninth Replenishment is that the SDF is a key instrument in addressing poverty, human development and the diverse elements of vulnerability in many BMCs, which encompasses the:

- Vulnerability to natural disasters and economic shocks.
- Social and economic adjustment costs of the Caribbean - Specific Millennium Development Goals (CSMDG) or special Millennium project.

- The establishment of a Single Market and Economy and the enormous challenges involved in broadening the Bank's mandate to the wider Caribbean.
- The deteriorating fiscal positions and high levels of debt in some BMCs creating concerns of fiscal stress and debt sustainability.

### **Analysis**

6. The SDF remains a strategic element in the aid architecture for the Caribbean and represents a strong partnership between BMCs and partner countries. The Ninth Replenishment or SDF has three (3) core themes that will form the operational framework of the SDF IX.

7. These are:

- 1) Supporting the achievement of the Sustainable Development Goals (SDG) targets relevant to the Caribbean;
- 2) Building resilience and promoting environmental sustainability; and
- 3) Promoting regional cooperation and support for regional public goods.

8. The programme areas for each of the four (4) SDF IX themes are shown in Attachment 1. These themes would be supported by the cross-cutting areas of Gender Equality, Good Governance and as in the SDF VIII, environmental sustainability.

### **Financial Assistance Programmes**

9. The Jamaica Social Investment Fund signed a grant agreement for the Basic Needs Trust Fund 7th Programme funded by the GOJ and CDB on February 12, 2013 in the amount of US\$6,890,058.00. The effective implementation period of the grant was February 12, 2013 – December 31, 2016. Subsequent to the signing of the grant additional funds were made available in October 2015 through BNTF8 in the amount of US\$1,825,025.00; where the implementation of the BNTF8 was to run concurrent with BNTF7. Both grants have received an extension and are now scheduled to end December 31, 2017 (see table 1 and 2 attached).

10. The combined primary objectives of the grants are to reduce poverty and vulnerability through enhanced access to basic and social infrastructure and human resource development services. This will be achieved in three (3) main sectors:

- Basic Community Access and Drainage Enhancement (5 sub-projects)
- Education and Human Resource Development (23 sub-projects)
- Water and Sanitation Systems Enhancement (2 sub-projects)

11. Jamaica has accessed 10.3% of the SDF portfolio under the SDF VIII, which reflects the second highest disbursement amount (see table 3). While Guyana received

the highest and Belize the third highest disbursements in loans, which is 12.2% and 8.3% respectively. The assistance received by Jamaica from the SDF has contributed towards projects, such as, Business Process Outsourcing facilities, Natural Disaster Management and the Hermitage Dam – Rehabilitation study.

### **Payment and Schedule**

12. The Government of Jamaica will be required to contribute a total of US\$11,079,000 over the four (4) year cycle of SDF IX. In the schedule proposed, Jamaica will be expected to contribute US\$2,769,750.00, annually. Each payment should consist of cash and a Promissory Note as follows:

- 25% or US\$692,437.50 to be paid in cash; and
- 75% or US\$2,077,312.50 by issue of a Promissory Note.

13. This annual contribution of US\$2,769,750.00 is consistent with the modality stated in the Instrument of Contribution, whereby the Minister of Finance and the Public Service, who has been so empowered, can issue Promissory Notes as required. The first installment of the SDF IX Replenishment became due on July 31 2017, and three (3) subsequent payments will be required by July 31 of each year. Schedule 1: *Contributions to SDF IX* which is attached, indicates Jamaica's relative shareholding within the BMC's and the contribution derived.

14. Parliament is being advised that budgetary appropriations have been made in the Estimates of Expenditure for FY2017/2018, for the First installment as required under the SDF IX, along with the Instrument of Contribution.

### **Financial Implications**

15. Contributors agreed to an overall Programme level for SDF IX of US\$355 million, of which the Government of Jamaica will be required to contribute a total of US\$11.079 million.

16. The Instrument of Contribution required by the CDB indicates that Jamaica's contribution will be subject to budgetary appropriations and will therefore be a qualified contribution. The SDF IX Replenishment will therefore have implications for Jamaica's fiscal and primary balances. Given the budgetary provision in FY2017/18 the impact on these balances has already been accommodated.

### **The Advice of the Attorney General's Chambers**

17. The Attorney General's Chambers examined the Resolution of Contributors authorizing the Ninth Replenishment of the Special Development Fund, in addition to the Instrument of Contribution and has indicated in a letter dated **May 1, 2017** that:

- The Draft Resolution authorizing the Ninth Replenishment of the Special Development Fund appears to be in conformity with the Rules of the SDF.
- Jamaica can avail itself of the option of effecting payment through the issuing of non-negotiable non-interest bearing Promissory Notes in Lieu of immediate cash payments and may do so in four equal installments in accordance with the Resolution of Contributors to the SDF.
- The authority to make the increase in contribution is vested in the Minister of Finance and the Public Service by virtue of section 4(1) of the Caribbean Development Bank Act which authorizes him to make the relevant payment.
- There is no legal objection to Jamaica fulfilling its obligations as Contributor to the SDF or to the SDF IX as agreed with the CDB.

### Recommendations

18. The Honourable House of Representatives is asked to agree to the Replenishment of the SDF IX of the CDB and to the modalities as prescribed below for Jamaica to:

- Contribute US\$11,079,000 toward the Ninth Replenishment of the Resources of the Special Development Fund (SDF IX) of the CDB, over the four year "Contribution Cycle" commencing January 1, 2017;
- Contribute under SDF IX, **US\$2,769,750.00** annually over the four (4) year cycle, of which installments would be made by :
  - annual cash payments of **US\$692,437.50**; and
  - the annual issue of Promissory Notes valued at **US\$2,077,312.50** each.
- Sign the Instrument of Contribution and agree that a copy of the relevant Extract from the House of Representatives be submitted to the CDB, along with the Instrument, to affirm that all the procedures have been put in place for Jamaica to make the SDF IX contribution.



Audley Shaw CD, MP  
Minister of Finance and the Public Service

October 5, 2017

Table 1

BNTF 7 ALLOCATIONS, APPROVALS AND DISBURSEMENT AS AT DECEMBER 31, 2016						
ITEM	REVISED ALLOCATION	APPROVALS	ALLOCATION APPROVED	DISBURSEMENT		RATE OF DISBURSEMENT
	(\$'000)	(\$'000)	%	(\$'000)	%	%
<b>Countries</b>						
Belize	6,092	5,780	94.9	4,958	20.7	85.8
Dominica	4,278	2,084	48.7	536	2.2	25.7
Grenada	2,586	2,493	96.4	2,186	9.1	87.7
Guyana	6,154	5,727	93.1	5,160	21.6	90.1
Jamaica	6,890	6,319	91.7	5,324	22.2	84.3
Montserrat	1,758	1,717	97.7	961	4.0	56.0
St. Kitts and Nevis	1,652	1,578	95.5	1,053	4.4	66.7
Saint Lucia	4,979	4,759	95.6	1,600	6.7	33.6
St. Vincent and the Grenadines	4,058	3,904	96.2	1,626	6.8	41.6
Turks and Caicos Islands	616	589	95.7	533	2.2	90.5
<b>Sub-Total</b>	<b>39,063</b>	<b>34,950</b>	<b>89.5</b>	<b>23,937</b>	<b>100.0</b>	<b>68.5</b>
Regional Coordination	6,937	4,625	66.7	3,579		77.4
<b>Total</b>	<b>46,000</b>	<b>39,575</b>	<b>86.0</b>	<b>27,516</b>		<b>69.5</b>

Table 2

BNTF 8 ALLOCATIONS, APPROVALS AND DISBURSEMENT AS AT DECEMBER 31, 2016						
ITEM	REVISED ALLOCATION	APPROVALS	ALLOCATION APPROVED	DISBURSEMENT		RATE OF DISBURSEMENT
	(\$'000)	(\$'000)	%	(\$'000)	%	%
<b>Countries</b>						
Belize	1,614	1,533	95.0	555	16.8	36.2
Dominica	1,433	260	18.1	-	0.0	0.0
Grenada	713	652	91.4	268	8.1	41.1
Guyana	1,697	1,419	83.6	148	4.5	10.4
Jamaica	1,825	1,734	95.0	1,046	31.6	60.3
Montserrat	485	413	85.2	248	7.5	60.0
St. Kitts and Nevis	456	456	100.1	88	2.7	19.3
Saint Lucia	1,373	1,030	75.0	631	19.1	61.3
St. Vincent and the Grenadines	1,119	1,119	100.0	229	6.9	20.5
Turks and Caicos Islands	170	170	100.1	92	2.8	54.1
<b>Sub-Total</b>	<b>10,885</b>	<b>8,786</b>	<b>80.7</b>	<b>3,305</b>	<b>100.0</b>	<b>37.6</b>
Regional Coordination	1,015	943	92.9	636		67.4
<b>Total</b>	<b>11,900</b>	<b>9,729</b>	<b>81.8</b>	<b>3,941</b>		<b>40.5</b>

Table 3

SDF Allocation And Use of Resources						
ITEM	INDICATIVE ALLOCATIONS AT JAN 2013 (\$MN)	FINAL ALLOCATIONS AT 2016 (\$MN)	% OF ALLOCATION 2013-2016	ACTUAL COMMITMENTS	% OF TOTAL	
<b>COUNTRY ALLOCATIONS - LOAN</b>						
<b>GROUP 1</b>	Anguilla	-	-	-	-	-
	Antigua and Barbuda	-	-	-	-	-
	Bahamas	-	-	-	-	-
	Barbados	-	-	-	-	-
	British Virgin Islands	-	-	-	-	-
	Cayman Islands	-	-	-	-	-
	Turks and Caicos Islands	-	-	-	-	-
<b>GROUP 2</b>	Trinidad and Tobago	-	-	-	-	-
	Belize	22.6	27.2	8.3	31.1	9.6
	Dominica	15.0	16.5	5.0	25.7	7.9
	Grenada	14.7	15.8	4.8	27.2	8.4
	Guyana	40.0	40.0	12.2	40.6	12.5
	Jamaica	33.8	33.8	10.3	25.0	7.7
	Montserrat	7.0	9.3	2.8	0.0	0.0
	St. Kitts and Nevis	5.9	8.3	2.5	8.0	2.5
	Saint Lucia	18.0	19.0	5.8	24.2	7.5
	St. Vincent and the Grenadines	15.7	18.8	5.7	21.6	6.7
	Sub-total Country Allocations	172.7	188.7	57.4	203.4	62.7
<b>SET-ASIDE RESOURCES</b>						
<b>OTHER LENDING</b>						
Natural Disaster Mitigation and Rehabilitation	30.0	30	9.1	18.8	5.8	
New BMC (Suriname)	10.0	10	3.0	10.7	3.3	
<b>Total Lending</b>	<b>212.7</b>	<b>228.7</b>	<b>69.6</b>	<b>233.0</b>	<b>71.8</b>	
<b>GRANTS</b>						
BNTF	10.0	10.0	3.0	10.0	3.1	
Haiti	46.0	46.0	14.0	43.5	13.4	
<b>Technical Assistance:</b>						
Capacity Building	12.0	12.0	3.7	11.3	3.5	
Agriculture	3.0	3.0	0.9	2.1	0.6	
CTCS	5.0	5.0	1.5	3.9	1.2	
<b>Regional Integration and RPGs</b>						
Environmental Sustainability/ Climate Change	5.0	5.0	1.5	4.3	1.3	
Immediate Disaster Response	5.0	5.0	1.5	3.0	0.9	
Citizen Security	4.0	4.0	1.2	3.9	1.2	
<b>Total Grants</b>	<b>100.0</b>	<b>100.0</b>	<b>30.4</b>	<b>91.5</b>	<b>28.2</b>	
<b>Total Resources Available</b>	<b>312.7</b>	<b>328.7</b>	<b>100.0</b>	<b>324.5</b>	<b>100.0</b>	
Structural Gap	17.3					
OCR Allocation	18.0					
Approved Programme Level	348.0					