

**REPLENISHMENT OF THE MULTILATERAL INVESTMENT FUND (MIF) OF THE  
INTER-AMERICAN DEVELOPMENT BANK (IADB)**

---

**1. INTRODUCTION**

The Honourable House of Representatives is being asked to consider and approve a proposal by the Donors to the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IADB) that Jamaica as a signatory to the MIF, should contribute to the Third Replenishment of the Resources of the Multilateral Investment Fund (MIF III).

**2. BACKGROUND**

- 2.1 The Multilateral Investment Fund (the “MIF I”) was created by the Agreement Establishing the Multilateral Investment Fund, in February 11, 1992 which was renewed until December 31, 2007.
- 2.2 The Multilateral Investment Fund II (the “MIF II”) was created by the Agreement Establishing the Multilateral Investment Fund II, dated April 9, 2005 (the “MIF II Agreement”), which entered into force on March 13, 2007, at which time the MIF I terminated and the assets and liabilities of the MIF I were assumed by the MIF II. The MIF II Agreement was renewed until December 31, 2020.
- 2.3 The donors that adhered to the MIF II Agreement and the prospective donors listed in Schedule A of the Agreement Establishing the Multilateral Investment Fund III (the “MIF III Agreement”) (each a “Prospective Donor”) desire to ensure the continuation of the MIF’s activities and provide for an enhanced MIF II (the “MIF III” or the “Fund”) in the Inter-American Development Bank (the “Bank”), which shall have assumed the assets and liabilities of the MIF II.

**3. GENERAL PURPOSE AND FUNCTIONS OF THE MIF III**

- 3.1 The general purpose of the MIF III is to promote sustainable development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the regional developing member countries of the Bank and the developing member countries of the Caribbean Development Bank (the “CDB”).

3.2 The MIF III will have the following functions:

- a) Identify, test, promote and support private-sector driven innovations in the region seeking to create opportunities for poor and vulnerable populations;
- b) Promote the adoption of high impact innovation in the region, through replication and scaling;
- c) Seek to ensure that innovations that are replicated are effective and have significant development impact;
- d) Mobilize resources and crowd-in partners for scale;
- e) Promote knowledge creation and learning;
- f) Operate in close alignment with the Bank and the Inter-American Investment Corporation (IIC) as a means to enhance effectiveness;
- g) Promote environmentally sound and sustainable economic development, as well as gender equality and diversity, in the full range of its activities;
- h) Enhance its development effectiveness through the establishment of specific goals and measureable results;
- i) Adopt risk levels in accordance with its mandate to test the success and failure of innovative solutions; and
- j) Complement the work in the region of the Bank, the IIC and other partners.

#### **4. INSTRUMENTS OF ACCEPTANCE AND CONTRIBUTION**

- 4.1 Donors reached a common understanding on a target level of contributions for MIF III Pledged contributions of US\$302,208,916 which are reflected in Schedule A of the Agreement Establishing the MIF III (attached).
- 4.2 Jamaica shall deposit with the Inter-American Development Bank (IADB), subsequent to signing of the MIF III agreement, an Instrument indicating that it has ratified, accepted or approved this MIF III Agreement. No later than 30 days after depositing this Instrument they should deposit with the Bank an instrument agreeing to pay to the Fund the amount of US\$3,000,000 as in Schedule A.
- 4.3 The option to pay contributions in three annual installments (an “Unqualified Contribution”), is provided for in the Agreement and each subsequent installment should be paid before or on the corresponding anniversary of the first installment. Any donor who pays the full amount of its contribution in a single payment within one year of the

MIF III Effective Date may reduce such payment by 3% of the total amount of its contribution.

4.4 Payments shall be made in any freely convertible currency or in non-negotiable non-interest-bearing promissory notes (or similar securities) denominated in such currency and payable on demand to meet the operational commitments of the Fund accordingly.

4.5 Cabinet is being advised that no budgetary provisions have been made in the Estimates of Expenditure for FY2017/2018 to pay the first installment in cash. However, provision has been made for the issuance of a Promissory Note as payment for the first installment.

## **5. TERM OF THE MIF III AGREEMENT**

This MIF III Agreement shall:

- a) Remain in force for a period of five (5) years as of the Effective Date, and may be renewed for additional periods of up to five (5) years. Prior to the end of the initial period or any renewal period, the Donors Committee shall consult with the Bank about the advisability of extending the operations of the Fund for the renewal period.
- b) Terminate in the event that the Bank suspend or terminate its own operations under Article X of the Charter, or in the event that the Bank terminates the MIF III Administration Agreement under Article VI, Section 3 thereof. The Donors Committee may decide to terminate this MIF III Agreement at any time by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

## **6. FUND OPERATIONS**

6.1 To carry out its purpose the Fund shall provide financing in the form of grants, loans, guarantees, quasi-equity and equity or any combination thereof or other financial instruments, as the Fund may require in order fulfilling its purpose. The Fund may also provide financing and advisory services to private sector entities, as well as to governments, government agencies, sub-national entities, non-governmental organizations, or others, to support operations that further the Fund's purpose.

6.2 To carry out its purpose, the Fund shall:

- a) Continue its practice of sharing the cost of operations with executing agencies, encouraging appropriate counterpart funding and adhering to the principle of not crowding out private sector activities.
- b) In deciding on providing grant funds, the Donors Committee will pay particular attention to the commitment of specific member countries to the mandate established for the MIF III, the potential to create opportunities for the poor and vulnerable populations, including women and indigenous peoples, and the implementation of the guiding principles for the Fund's activities.
- c) Ensure that financing in the territories of countries which are members of the CDB, but not the Bank, shall be conducted in consultation and agreement with, or through, the CDB.
- d) Not be used to finance or pay for project expenses which have been incurred to the date the Fund resources may be available.
- e) Ensure that Grants may be made available on a basis which permits contingent recovery of funds disbursed, in appropriate cases.
- f) Not be used to finance any undertaking in the territory of a regional developing member country of the Bank if that member objects to such financing.
- g) Include specific goals and measurable results. The developmental impact of the Fund's operations shall be measured in accordance with a results framework that takes into account the purpose and functions of the Fund, and is to reflect best practices to the effect of:
  - i. The measurement of project-level and fund-level results and impacts, the Fund's efficiency, the degree of innovation, and the success at scaling up innovation, lesson learning and knowledge;
  - ii. A framework for evaluating project-level and Fund results and impacts, and appropriate measurement and evaluation tools; and
  - iii. Public dissemination of results.
- h) Be designed and executed in order to maximize efficiency and development impact. The Donors Committee may approve partnering with local entities for project preparation and execution.

## 7. MIF ASSISTANCE

7.1 From the inception of the Multilateral Investment Fund (MIF) in 1993 to the present, Jamaica has had forty three (43) approved operations valuing US\$25.0 million, while Barbados has had eighteen (18) approved operations to date valuing US\$5.0 million. For every US\$1.00 contributed by Jamaica and Barbados to the MIF, US\$25.00 and US\$5.00 respectively were invested in each country by the MIF.

7.2 Jamaica's portfolio includes seven (7) operations with undisbursed amounts and / or outstanding amounts of US\$4.2 million as at December 2016. Barbados has a portfolio with four (4) operations with a value of US\$1.6 million.

7.3 The MIF active projects in Jamaica are:

- **Project Grow** – Linking Small Farmers to Corporate Supply Chains in Jamaica;
- **Water Adaptation in the Housing Sector** – Facilitate the Uptake of Water Adaptation Measures in the Housing Sector Across Jamaica; and
- **Caribbean Youth** – Strengthening the Entrepreneurial Spirit of Youth in Jamaica, Barbados and Trinidad and Tobago.

7.4 The MIF active projects in Barbados are:

- **Coral Gardening** – Preserve Coral Reefs and Boost Tourism in Barbados Through a Public-Private Partnership;
- **Funding for Clean Energy in the Caribbean Basin** – Belize, Barbados, Costa Rica, Dominican Republic, Guatemala, Honduras, Nicaragua and Panama; and
- **Entrepreneurs & Innovation** – Catalyzing a Vibrant Start-Up Ecosystem in Barbados.

## 8. LEGAL OPINION

8.1 A legal opinion was sought from the Attorney General's Chambers, which indicated that the Attorney General's Chambers raises no legal objection to the terms of the Agreement establishing the Multilateral Investment Fund III, and finds that there is no legal reason which would bar the ratification of this Agreement by the Government of Jamaica.

**9. The Honourable House of Representatives is being asked to approve the following:**

- a) Jamaica's ratification of the Agreement Establishing the Multilateral Investment Fund III and the Agreement for the Administration of the Multilateral Investment Fund III;

- b) Jamaica's completion and submission of the Instruments contained in the MIF III Implementation Package and fulfilment of the requirements of the Agreement;
- c) No later than 30 days after depositing the abovementioned Instruments Jamaica shall also agree to pay to the MIF III the amount of Three Million United States Dollars (US\$3,000,000) as set forth in schedule A (attached);
- d) Jamaica's contribution of US\$3,000,000 towards the Third Replenishment of the Multilateral Investment Fund (MIF III) over the six year "Contribution Cycle" commencing December 31, 2017.
- e) The payment of **US\$3,000,000** to be made, in three (3) equal, annual and consecutive instalments of **US\$1,000,000**;
- f) Jamaica availing itself of the option of effecting part payment through the issuing and depositing of non-negotiable, non-interest bearing Promissory Notes to the MIF;



Audley Shaw CD, MP

Minister of Finance and the Public Service

November 22, 2017