



CABINET OFFICES

MEMORANDUM

TO : Honourable Prime Minister
FROM : *For Mr. [Signature]* Permanent Secretary/Cabinet Secretary
DATE : January 7, 1997
SUBJECT : Papers for the Development Council Meeting

Regarding the meeting of the Development Council scheduled to be held in the Banquet Hall at Jamaica House on Wednesday January 8, 1997, at 10:00 a.m., please see enclosed the following documents:

1. DC 1/97 - Agenda
2. DC 2/96 - Minutes of the last two meetings
3. DC 1 MIIC 1/97 - Request of Western Cement Company Limited For Relief From Income Tax Payment
4. DC 2 MIIC 2/97 - "Fiscal Incentives - Chemical Lime Project"
5. DC 3 MFP 1/97 - Development Financing for Investment 1996/97
6. DC 4 MIIC 3/97 - Industrial Policy Implementation Update
7. DC 5 OPM 1/97 - Equity Investment

You are kindly requested to take to the meeting your copies of items 3 and 4 (Cabinet Submissions MIIC 24/96 and MIIC 38/96).

A G E N D AMEETING OF THE DEVELOPMENT COUNCIL - WEDNESDAY, JANUARY 8, 1997
COMMENCING AT 10:00 A.M.

1. Opening Remarks - Hon. Prime Minister - Chairman
2. Confirmation of Minutes of November 20 and 29, 1996.
3. Matters Arising:
 - ✓ i. Institutional Arrangements for the Development Council
(Minutes DC 2/96, pp 3 - 4 and 23 - 24)
- Prime Minister / Cabinet Secretary / Director General, PIOJ
 - ✓ ii. Status Report - Implementation of National Industrial Policy
(Minutes DC 2/96, pp 5 - 9 and Paper DC 4 MIIC 3/97)
- MIIC / JAMPRO
 - ✗ iii. Report on Tourism Sector, in particular, Development Plan for Drax Hall,
Runaway Bay, Oracabessa and Culloden
(Minutes DC 2/96, pp 9 and 17 - 20)
- Minister of Tourism (OPM)
 - iv. Status of Refinancing Programme / Equity Investments
(Minutes DC 2/97, pp 9 - 15 and DC 5 OPM 1/97)
- NIBJ
 - v. Progress Report - NIBJ Institutional Strengthening
(Minutes p 17)
- NIBJ
- ✓ 4. Report on Development Financing for Industry
- MFP / BOJ DC 3 MFP 1/97
- ✓ 5.(a) Chemical Lime Project ✗
(Submission No. 580 / MIIC...38/96 or DC 2 MIIC 2/97)
- ✓ (b) Western Cement Project ✗
(Submission No. 501 / MIIC...24/96 or DC 1 MIIC 1/97)
6. Any Other Business
7. Adjournment

* Both Submissions
refer to
Cabinet Papers
10/1/97

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MEETING OF THE
DEVELOPMENT COUNCIL
WEDNESDAY, NOVEMBER 20, 1996
10.30 A.M.
AND CONTINUATION NOVEMBER 29, 1996

PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and
Transport
Dr. the Hon. Paul Robertson, Minister of Industry, Investment
and Commerce
Honourable John Junor, Minister for Tourism
Hon. Dr. Carlton Davis, O.J., C.D., Cabinet Secretary/Permanent
Secretary, OPM
Mrs. Charmaine Constantine, C.D., Permanent Secretary, OPM
Hon. Miss Shirley Tyndall, O.J., C.D., Financial Secretary
Mr. Derek Latibeaudierre, Governor, Bank of Jamaica
Dr. Wesley Hughes, Planning Institute of Jamaica
Mr. Nathan Richards, National Investment Bank of Jamaica
Mr. Kingsley Thomas, Agricultural Credit Bank
Mrs. Pat. Francis, President, JAMPRO
Mrs. Maureen Stephenson-Vernon, Director, OPM

IN ATTENDANCE

Mr. Aaron Parke, Permanent Secretary, Ministry of Agriculture
and Mining
Mr. Ransford Smith, Permanent Secretary, Ministry of Industry,
Investment and Commerce
Mrs. Veniece Pottinger, JAMPRO

APOLOGY FOR ABSENCE

The Prime Minister tendered an apology on behalf of the Honourable Horace Clarke, who was still off the island. He was due to return that day.

PRIME MINISTER'S OPENING REMARKS

The Prime Minister said a great deal was to be desired concerning the distribution of documents on time. He expressed the hope that the performance was due to the fact that it was the first meeting.

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The Prime Minister reminded the Meeting that the Development Council replaced the Economic and Production Council for which there was a procedure for the circulation of papers, including the minutes. He wished that procedure to be followed.

Further, documents should be submitted **at least one week before the scheduled date of the meeting at which they will be considered.**

The Prime Minister stated that documents would be circulated only to members of the Council. Officers needed for discussion on specific subjects would be invited for the duration of such discussions.

MINUTES

The Minutes for the Inaugural Meeting of the Council held at Braco were confirmed.

DOCUMENTATION FOR MEETINGS

The Prime Minister referring further to the documentation for meetings said that he was alarmed to discover that some Ministries seemed to be unaware of the precise purpose of the Development Council.

He advised that the proposal was contained in the National Industrial Policy.

He pointed out that the establishment of the Council was considered and approved by the Cabinet, with specific Terms of Reference and determination of its composition, including the extension of functions to deal with the Capital Development Fund. The matter was also discussed exhaustively at the Braco Meeting.

The Prime Minister said that in preparation for the meeting, some Ministries had the mistaken idea that reports were required on the work of their Ministries, and that the Council was an extension of the Investment Facilitation Board.

He said that while the group would deal with policy issues that affected production and development, and submit these for Cabinet consideration, not every single project matter needed to be considered by the Council. Routine issues with respect to the implementation of projects should be dealt with at the Board level.

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The Prime Minister said the Council was not an ad hoc body, and it was imperative that it functioned in a technical and efficient manner.

Meetings would be convened on the 2nd Wednesday of each month commencing at 10.00 a.m.

MATTERS ARISING

i) **Institutional Arrangements for the Development Council**

The Cabinet Secretary said that the issue of setting up a Technical Secretariat and identifying suitable personnel still remained a problem.

The work undertaken by an Officer from the Planning Institute of Jamaica on two important matters - **The Apparel Sector** and **The Impact of the Exchange Rate on the Export Sector** - was in train, as reported by Dr. Hughes.

The Cabinet Secretary said it was hoped to get one of the architects of the National Industrial Policy (NIP) to play a role, not in terms of issuing documents, but in terms of the technical development of the work.

The Prime Minister said there were two distinct elements:

- a. There was need to have a leader to serve as Head of that Technical Secretariat and, in that connection, efforts were being made to secure the services of Professor Harris.
- b. In addition to that Head (whether Prof. Harris or someone else) a nucleus of persons was needed to perform functions which would include follow-up action on decisions taken by the Council, and monitoring, on a continuous basis, the progress of the implementation of the NIP.

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In this regard, the Prime Minister referred to comments made that morning by Mr. Moss Solomon of the Jamaica Chamber of Commerce (JCC), and expressed the view that action on the NIP was much, much too slow.

He felt that, even in anticipation of getting a suitable Head for the Secretariat, thought should be given to identifying someone to concentrate on the implementation of the NIP, if even for a defined period of time.

The Cabinet Secretary stressed that a certain level of analytical judgement was needed for such a "serious" organisation. He mentioned that there was a dearth of the critical mind necessary to undertake the assignment - the worst choice, he thought, would be a "near-economist".

The Prime Minister expressed amazement at the difficulty being experienced in finding three or four persons within the "Government and the myriad Institutions" to whom the exclusive function of getting the Development Council started could be assigned.

It was vital to have persons conversant with the system assigned solely to that specific task, for a stated period, at the end of which, other persons would be brought in to run the Unit on a particular basis.

Dr. Hughes said that the PIOJ and the ACB would be able to deal with the administrative structure.

The Prime Minister mentioned that the structure should include some physical location from which the Unit would operate. He wished to be kept fully informed on the progress.

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DC2/96

ii) Implementation of National Industrial Policy

Paper entitled "Status Report - Industrial Policy Implementation" was tabled.

Minister Robertson said that the schedule of activities to be undertaken was prepared and sent to Public Sector bodies under cover of letter dated October 30.

He referred to the **Public Awareness Programme** under which work had been done in six Parishes - one meeting was scheduled for the remainder of the year.

The Minister said there was need for a re-evaluation of the programme, as the response had not been overwhelming. He said that at a recent meeting the view was expressed that a change of approach, to some community-related activity was necessary.

The Prime Minister was in agreement with such an approach, bearing in mind that consultations had already been held island-wide. The emphasis should not now be on building an audience, but capitalising on the available audience, and to do so, the work could not be confined to Cabinet Ministers and Agencies.

Minister Robertson drew attention to Appendix I to the Paper, showing main Cabinet Decisions taken on the NIP and the status of each. Most of the matters, he said, were at drafting stage.

Permanent Secretary Constantine enquired of Minister Robertson whether there was resistance to the Policy, due to belief that it was unrealistic, when comparing what was happening in practice with what was seen as possible. This view, she said, was voiced at the Mandeville Meeting.

Mrs. Francis said that belief was not being expressed generally.

Minister Robertson referred to the issue of the Refinancing Programme which surfaced repeatedly, and the **Extension of the Export Encouragement Act**, one of the main things for urgent implementation.

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The Minister asked Permanent Secretary, Ransford Smith, to outline the document.

Mr. Smith said there was now agreement with the Ministry of Finance on the things to be done. He said instructions were given at the last Council Meeting to examine what Trinidad had in place and to draw lessons from them.

He made reference to the Export Allowance which had been patterned; the formula was outlined in the Submission.

Revised instructions had been issued to the Chief Parliamentary Counsel (CPC), which included a requirement that exports should be at least 10% of total sales to satisfy application of the allowance.

This meant that Tax Relief would be applied to exports originally covered under the Export Industrial Encouragement Act.

Minister Davies pointed out that there was no stipulation in the proposal for an increased level of exports; it therefore did not encourage increased output.

The Cabinet Secretary stressed that great care should be exercised in what was being set up in regard to incentives in order to be consistent, and where a mine-beneficial arrangement was being given to an operation, the grounds should be very clear for so doing. He needed to be convinced of the quantitative benefits.

He referred to the establishment in 1949 of the Pioneer Industries Encouragement Act, which the bauxite companies desired but denied because while Mining involved the removal of an irreplaceable asset (bauxite), the Pioneer Act was designed to facilitate the development of industries which would become permanent assets.

Minister Robertson expressed some measure of disappointment that decisions taken (and subsequently announced) after extensive consultations and discussions were now being questioned and debated afresh.

Minister Davies, while supporting stimulation for a bias to export, made reference to No. 9 in the Submission.

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DC2/96

The Prime Minister felt there was confusion over several issues. He recalled that in preparation for the NIP, a submission was made to Cabinet, over two years ago, under the joint signature of himself, the Minister of Finance and the Minister of Industry, with recommendations for a range of incentives dealing with Music, Sports, and reward for Research and Technology.

The idea was to give approval, even in advance of finalising the NIP, because completion of the necessary legislation was desired to coincide with implementation of the NIP.

The Prime Minister said he was consistent in his enquiries on the progress of the matter.

Further, his instructions were renewed at the Braco Meeting, concerning the differences between the Ministry of Finance and Industry. The Prime Minister said he had, at the Plantation Inn forum, directed that both sides should meet to settle the issues.

Therefore, no matter which arose from those discussions should be re-opened, he said.

Quite separate and apart, he had been asking for a Study on CARICOM to determine why Trinidad had taken over the Jamaican market.

At the last meeting, he requested finalisation of that work.

He said, the document laid was saying that Trinidad was not getting into the Jamaican market by virtue of the incentives. It had expanded export facilities elsewhere, as a result.

But the problem of conquest of our market by Trinidad and Tobago was not being dealt with.

No. 9 should therefore not be in the document.

There were two separate matters and the same solution should not be applied to both, the Prime Minister said:

- (i) Was there any legislation for those incentives that the Cabinet had already approved, including meeting the situation of exporters' third markets already in existence?

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DC2/96

It was never contemplated just giving back to people already in the export field, the taxes now payable; something incremental was envisaged.

In the light of the decision taken, the Prime Minister reading from paragraph 1 of the document, could not conceive that agreement had been reached for an open-ended situation, without returning to advise the Council and Cabinet that Drafting Instructions were being issued.

Minister Robertson said it was intended to submit the matter to Cabinet.

The Prime Minister reverted to his point and enquired about the status of the legislation, including the amendments to those matters approved over two years ago by the Cabinet, and on which all impediments should have been cleared through consultations between officials of the Ministries of Finance and Industry.

Permanent Secretary Smith confirmed that no differences between the Ministry of Finance and the Ministry of Industry now stood in the way of getting the legislation through.

- (ii) Arising from the Council and from discussions about what Trinidad had achieved, was a proposal which was reflected in the Submission.

If there was a recommendation from the Council that the Export Industry Encouragement Act ought to be expanded, so that by Ministerial Order there could be a Tax Rebate for partial exporting, then, the Prime Minister said, he expected the matter to be submitted to the Council for consideration.

Legal advice would then be sought as to whether a Ministerial Order was workable or whether substantive legislation was needed.

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DC2/96

The efforts to consider the proposal to give Tax Rebate for partial exporting was noted, but it was considered necessary for it to be linked to incremental performance, the Prime Minister said.

For new players, the situation could be examined.

Minister Robertson agreed to re-examine the proposal.

Minister Davies made reference to No. 13, which appeared to "double-speak" as the Paper suggested it should not be done.

The Prime Minister directed that the whole issue should be the subject of a Cabinet Submission.

As suggested by the Financial Secretary, it was considered prudent to examine what could be properly done to the Year 2003, rather than applying some temporary measure to which there could be addiction.

What was desired was retooling and training to be able to compete favourably.

- iii) Tourism Towns - Negril, Ocho Rios, Montego Bay update on work currently taking place and implications for the start of the Tourism Season.

Minister Junor expressed concern over the situation in Negril.

It was stated that Minister Pickersgill and himself would be going to Negril on Friday, November 22.

The Prime Minister said the situation in Negril was a disgrace.

- iv) Status of Refinancing Programme/Equity Investments

Mr. Richards said that the response had been discouraging from the stand-point that the entities making application had failed to provide the requisite information to enable proper analyses of their proposals.

He said it appeared that there was expectation of hand-outs, without the application of prudential measures.

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DC2/96

The other factor concerned creditor institutions, which it appeared had conceived the proposal as a bail out. It was observed that the projects submitted had already been written off and could never constitute part of current portfolios.

These were, however, submitted, in the hope that some of the losses sustained would be restored.

Great difficulty was therefore being experienced with the project.

The Submission showed -

5 project approvals valued at \$49M

34 projects in the pipeline valued at \$87M

There were projects in the supplementary pipeline. These called for much more information.

It was agreed that the NIBJ should submit a Progress Report on the Projects, for discussion at the next Meeting.

The Prime Minister directed that the Agenda should be structured and the Papers so ordered to enable identification of the Items and thereby facilitate discussion.

In view of the threat of Hurricane MARCO, the meeting was adjourned at this point to be reconvened on **FRIDAY, NOVEMBER 29 AT 10.00 A.M.**

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CONTINUATION OF
DEVELOPMENT COUNCIL MEETING OF 20/11/96
FRIDAY, NOVEMBER 29, 1996

PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and
Transport
Hon. Horace Clarke, Minister of Agriculture & Mining
Dr. the Hon. Paul Robertson, Minister of Industry, Investment
and Commerce
Honourable John Junor, Minister for Tourism
Hon. Dr. Carlton Davis, O.J., C.D., Cabinet Secretary/Permanent
Secretary, O.P.M.
Mrs. Charmaine Constantine, C.D., Permanent Secretary, O.P.M.
Hon. Miss Shirley Tyndall, O.J., C.D., Financial Secretary
Mr. Derek Latibeaudierre, Governor, Bank of Jamaica
Dr. Wesley Hughes, Planning Institute of Jamaica
Dr. Vincent Lawrence, Urban Development Corporation
Mr. Nathan Richards, National Investment Bank of Jamaica
Mr. Kingsley Thomas, Agricultural Credit Bank
Mrs. Maureen Stephenson-Vernon, Director, OPM

IN ATTENDANCE

Mrs. Barbara Gunter, Deputy Financial Secretary, MoF
Mr. Ransford Smith, Permanent Secretary, MIIC
Mrs. Veniece Pottinger, JAMPRO
Mr. Paul Dixon, Special Executive Assistant to HPM

CONTINUATION OF
MATTERS ARISING

iv) **Status of Refinancing Programme/Equity Investments**

The Prime Minister said the information tabled was confusing.

There were two distinct funds, and he required a separate report on each.

A US\$50M fund of which the first tranche was US\$25M; and

A J\$1B fund that was meant for specific purposes, including some element of re-financing.

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DC2/96

In respect of the US\$50M fund he wished to know -

- (a) what had been disbursed; and
- (b) how the second tranche of US\$25M would be dealt with.

In this connection the Prime Minister mentioned that it was agreed at the Braco Meeting that the Financial Secretary should convene a meeting to examine the matter, as well as to look at the proceeds from the PETROJAM divestment.

In respect of the J\$1B fund, the Prime Minister required information on -

- (a) the amount actually raised to date; and
- (b) the amount disbursed through the various windows.

The Prime Minister stressed that the exercise could not wait until the next meeting of the Council.

Mrs. Vernon informed the meeting that fresh information had been submitted by the NIBJ and would be tabled that morning.

The Prime Minister said it was clear that there was going to be some resistance from intended beneficiaries to participate in the refinancing programme, and two main reasons were advanced, one, as discussed at Braco, had to do with the submission of audit reports; and the other area concerned the legal terms and conditions.

Mr. Richards reported that a meeting had been held to discuss the objection previously raised, in connection with the use of preference shares as a component of the programme. He said the matter had been satisfactorily resolved and a new document would be circulated with regard to that aspect of the programme.

Minister Junor said that a major part of the exercise, which was not progressing, was the participation of commercial banks in ameliorating the situation.

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DC2/96

Mr Richards said there was no problem with creditor banks for those companies who had qualified on the other aspects of the programme.

Mr. Thomas said there was beginning to be some doubt concerning the extent of the write-off which banks were proposing.

It was mentioned that proposals submitted demonstrated a willingness to restructure; write down interest and allow projects to proceed.

Minister Davies cautioned that care should be exercised in distinguishing the real cases. He made mention of the suggested criteria contained in a paper from the President of the Small Businesses' Association, to abandon the need to present up-to-date accounts in support of applications.

Mr. Richards said that the Association had been informed that certain technical assistance was available to entities, in order to bring their accounts up to date, but some were so woefully lacking in basic accounting that the exercise required structuring the whole financial statements.

The new documents submitted by the NIBJ were tabled.

The Prime Minister said he needed time to examine the papers, and consequently it might be necessary to call together a special group to deal with the matter.

Mr. Richards pointed out that at the Retreat, it was indicated that programmes would be developed to enable the Development Banks to access funds as needed. Several meetings had been held in that regard, no funding could be made available, but critical commitments had been made by banks in anticipation.

The Financial Secretary said that in terms of the Investment Bond, so far \$425M had been raised and a further \$210M expected by December 1, making a total of \$635M.

Disbursements so far totalled \$375M.

DC2/96

With regard to the US\$50M fund, US\$25M was in from Bank of Nova Scotia. Disbursements totalled US\$31M, and the raising of the incremental amount would be examined.

Minister Davies said that a critical issue was commitment for the funds. A precise notion of when disbursements were going to take place was needed. He did not think that funds should be garnered and held.

The Prime Minister recalled that originally the J\$1B was supposed to be locally funded, and special arrangements were made for it. However, market conditions changed considerably before any implementation, resulting in an unexpected adverse response.

Consequently, the structure of the fund had to be changed, certain decisions taken and public announcements made.

In spite of that the situation had changed since, and the Development Bond was now attracting some interest that had waned because of reduction in the Treasury Bill rates.

The Prime Minister pointed out that it was not envisaged that the full amount would be needed at once. It was programmed over a three-year period, with some to be subscribed at regular intervals.

In the light of the current situation, **the Prime Minister** said that a clear definitive position was required on the status of the J\$1B fund - how much had been raised; how much remained to be raised, bearing in mind the factors that had been altered.

In respect of the external portion US\$50M, again the factors had changed, and some concern was being expressed, particularly by the Bank of Jamaica. The obligations had been factored into the fiscal budget and the BOJ was not now sure whether it wanted to take the remainder fully from the foreign market, bearing in mind the proceeds from PETROJAM, which were not previously contemplated, but from which a portion could be obtained.

The Prime Minister said that there must be full agreement on how to target both local currency and foreign exchange.

CONFIDENTIAL

DC2/96

Minister Davies said it was critical to have liaison between disbursing institutions and those raising the funds.

The Prime Minister said, he faced an impossible situation in terms of development, not knowing the status of the programme. He wished to know what the Ministry of Finance, the Bank of Jamaica, the two Development Banks and the NIBJ had agreed, so that the question of commitment could be judged against that agreement.

Minister Davies mentioned the draft document he had sent the Prime Minister indicating the amounts of deposits in both Jamaican and U.S. dollars, held by Government bodies. One of the points made, he said, was that he wanted his Ministry and the Bank to look at how those resources could be mobilised.

The Prime Minister said that it was precisely for that reason the Financial Secretary was requested to preside over the group to bring all those matters together.

Now that the PETROJAM information was in, he wished that group to meet, immediately following adjournment that morning, to complete its work, especially in respect of the proceeds from PETROJAM, for presentation on Monday morning when the Supplementary Estimates would be examined.

The Cabinet Secretary pointed to the importance of ensuring that representation on the Boards of the entities in which the Government now had involvement should be persons with the requisite skills to ensure that resources were protected. Some of the investments were huge, he said, and returns were expected. Specific reference was made to Braco.

The Prime Minister took the opportunity to raise a matter outside of the Agenda.

The Prime Minister referred to the continuing call upon the Government to fulfill very substantial obligations of entities which it had divested, albeit retaining various levels of minority interest.

In respect of at least two, he had given certain clear instructions as to the responsibility of the Ministry of Finance versus the sector Ministry. It seemed clear, however, he said, that the institutional capabilities had to be built somewhere to protect the Government's investment in those entities.

DC2/96

At present the NIBJ took the matter up to the stage of privatisation. If they were to continue to monitor those entities, a very clear decision had to be taken, giving them, at the same time, the institutional capabilities to discharge that responsibility.

The Government's interest in the particular investment could not cease simply because of privatisation. There had to be continuing interest for two reasons -

- the entities were significant in the national economy - whether it be Sugar or Air Jamaica;
- the Government was a shareholder and had a particular interest, as any other shareholder, in ensuring that its investment was properly protected.

Representation, therefore, had to be at the level that was involved with the Enterprise Team for the particular divestment.

As Minister responsible for the NIBJ and as Prime Minister, he stated clearly that the NIBJ had to be given that responsibility as an objective, or the capability had to be built up and placed elsewhere.

Minister Junor expressed the view, and Dr. Lawrence concurred, that it was necessary to go a step beyond representation on boards, by developing some strategies in terms of efficient management.

Another view with regard to the monitoring role was expressed by Dr. Hughes, who felt that NIBJ, being shareholder and investor, should be monitored by an institution like the Enterprise Division.

The Prime Minister said that shares were being held on behalf of the public by various Agencies or Departments - e.g. NIBJ, Accountant General, or PCJ - and those agencies would need on an ongoing basis, professional advice about how best to protect those shares. The shareholders would also need to take decisions, from time to time, concerning viability and profitability of the company.

He was of the view that NIBJ had the institutional structure and should be the main anchor to make that advice available. There must be one place with that responsibility, even if it required drawing expertise from other places.

DC2/96

The Prime Minister directed that the NIBJ should submit the matter to Cabinet in two weeks' time, so that a final decision can be taken regarding the structure for monitoring those investments.

Another matter raised by the Prime Minister concerned a number of projects, largely relating to Tourism, which were pending for a long time -

- Drax Hall
- Runaway Bay
- Oracabessa
- Culloden.

The Prime Minister wished to be updated on the status of equity financing required for all, except Oracabessa, where the outstanding matter had to do with water.

DRAX HALL

Mr. Thomas said that the Drax Hall portion of the project related to the Marriott Hotel. The problem was mobilisation of the required financing to complete the Hotel - \$61.5M. NIBJ funded \$6M and the BNS \$20.5M.

The problem was that BNS had put a caveat on the funding that nobody should rank above or equal to them. The Principals were therefore faced with the situation of trying to cut the rate on Preference Shares.

He said he had been in discussion with them and the last position was request for comfort by Government to Preference Shareholders, in terms of the shortfall in the coupon rate for the additional Preference Shares.

Mr. Thomas pointed out that on examination of the structure of the Company, the Principals were putting in only the equivalent of US\$2M, which was capital appreciation. If, therefore, the Government injected above \$12M, it would represent a situation worse than Braco.

Efforts were therefore being made to get other investors to come in with equity, and there was a Dutch-Caribbean interest. His opinion was that whatsoever could be done to facilitate the implementation of the project should be done in the quickest time, as it would send a good signal to the Tourism Industry, both locally and internationally.

He felt there would be a real difficulty in completing the financial package in time, as there were plans to start construction in January. He had requested them to cut costs, which was proving difficult, as the golf course was critical to Marriott.

The solution, therefore, lay in the additional efforts of the Government.

DC2/96

Dr. Lawrence felt that if the project were considered desirable, it should be regarded as a Government project with the investors as minority shareholders. But he considered it undesirable to have them in charge with Government funds. They could, however, be given the option to buy out later on.

The Prime Minister taking a practical view of the situation 10 or 20 years ahead, said that Jamaica could only compete in areas where there was a comparative advantage, one of these being the Tourism and Services sector. The infrastructure, to which the Government was committed, therefore had to be provided, as well as additional room capacity. Failing this, he said, the facilities to attract a fair market share would be non-existent.

The Prime Minister foresaw great possibilities for substantial expansion in port facilities from Trelawny Beach to Drax Hall on the North Coast, as well as in the Southern portion of Jamaica and portions of St. Mary.

With regard to Drax Hall, the Prime Minister stressed the importance of the return of international entities to the Tourism Industry. There was indigenous ownership in the industry, but their expansion was taking place elsewhere. The Prime Minister expressed the desire to see the Drax Hall project get off the ground. He felt that if it was necessary for the Government to take a more prominent part in the project, there was no need to "camouflage" the action.

The Prime Minister was, therefore, very keen that the application of the PETROJAM proceeds be looked at in strategic terms to ensure its use for the improvement of the investment stock of the country.

Mr. Thomas undertook to review the matter and get back to the principals.

Minister Junor pointed to the need to ensure the development of a product that was profitable to the market that existed. The dictates of the market had to be matched with the types of investment. At present, he said, there were no Three-Star type developments, although the market was dictating a need for this.

DC2/96

The Prime Minister said it was necessary to consider separately -

- What kind of hotel capacity should be constructed to meet the market requirements in the foreseeable future.
The view of the Ministry of Tourism in this consideration should be most significant.
- In what projects is Government prepared to invest public funds to make them a reality.
There was no compulsion for Government to be involved, for the sole reason of making the project a reality. There was need to identify excellent opportunities in chosen areas.

Further, the Prime Minister said that when there was a proposal from a significant player in the international market, and when the project, properly examined seemed attractive, but there was going to be a shortfall of private sector investment, there should be ready participation in that investment, openly and in a manner that protected the investment.

The Prime Minister directed that it should be arranged for Mr. Thomas, Mr. Richards and Dr. Lawrence to meet with the principals, during the week beginning Monday, December 2, and to inform him how it was proposed to proceed with the Drax Hall project.

He also directed that the same group should meet in connection with the Dairy cut-over.

ORACABESSA

Minister Pickersgill reported that "they are pushing ahead".

Dr. Lawrence said that only two weeks' ago, the matter of funding for the project was raised.

The Prime Minister referred to a letter, dated November 19, received from Island Communications Limited, on the Oracabessa Waterfront Development and in which were six presentations of projects conceived by the Group, at the same time as the Oracabessa Project - two in the Bahamas; two in Florida; one in Costa Rica; and Strawberry Hill - five of which were already operational. The Oracabessa development had still not commenced.

CONFIDENTIAL

DC2/96

The Prime Minister said a lot of work had been done in preparation for the development and that the Group remained agreed to get it moving, but the lack of water was impeding them.

Mention was made of the unqualified assurance given by the National Water Commission that the water would be in place.

The Cabinet Secretary suggested deferring money from projects unseen, as the country needed projects and here was one which was not short of funding.

Minister Pickersgill mentioned that he had been informed by the Minister of Finance that the Blackwell proposal was not feasible. His information was that the Consultants were getting things together and they were going to fund the project.

The Prime Minister's recollection was that discussions were taking place between the Ministry of Finance and Mr. Blackwell.

He had met with all the water people when he outlined clearly his position as to why the Oracabessa Project had to go through. The amount involved at that time was \$27M.

The big project was before the World Bank. In the meantime, water was to be provided to facilitate the commencement of the project.

Six months later, the Prime Minister said, he had no further knowledge of the start-up date, and Island Communications Limited was still waiting.

The Prime Minister wished immediate steps taken to provide water in Oracabessa to allow the proposed development to get going.

CHEMICAL LIME

Submission DC7/96 was tabled.

Minister Robertson said that if there was agreement with the proposal, the project should proceed.

He said there was no omnibus set of incentives, but an approach to the particular investment was being worked out, and the Ministries of Finance and Mining had been involved in the discussions.

DC2/96

The Cabinet Secretary said that the project could not be justified on employment grounds and no immediate returns in terms of taxation would be gained, as there was mention of a period of adjustment after the tax-free period.

He said that he had discussed with the principals, subject to approval, a model along the following lines: (a) a tax-free period; (b) a period of a lower tax through cost allowance; (c) normal tax following (a) and (b); and (d) a stipulation of a minimum production level of say, 400,000 - 450,000 metric tonnes per annum. These were being studied by Chemical Lime's Representatives.

Information had been received, he said, that mining would greatly exceed that volume which could result in the setting up of a cement plant for export in the future.

Minister Clarke said he had been trying to get Chemical Lime to come to Jamaica and had indicated that the processing could not be allowed to take place elsewhere. He said care had to be exercised as the project involved a wasteful asset. However, the matter was now on hold until the environmental problems being faced in the industry were resolved.

Mrs Pottinger pointed to the psychology aspect of the whole matter. There would be no profits for some time. This raised the question as to the reason for wanting to invest here.

Mrs. Vernon said a decision had to be taken as to whether to move in this particular area of production. Thought had to be given also to the kind of markets that would be supplied.

Dr. Lawrence pointed to the significant studies done in 1980 relating to the expansion of the Cement Company and the fight for the local market. The growth of our own cement market therefore had to be taken into consideration.

Minister Robertson said, based on the assumption that most of the basic issues were considered in the early stages and the consensus was that it would be in Jamaica's interest to have the project, agreement was now sought from the Council to continue discussions on the bases described by the Cabinet Secretary.

An outline of an Agreement would be submitted before signing off.

The Prime Minister said two matters arose from the discussions

- Was the project regarded as desirable, all issues taken into consideration?

DC2/96

Having regard to all the questions raised, it was necessary for all the people who had been involved in the project so far (and certainly with the participation of Mining) to have drawn up a document that set out why on balance the project should be or not be supported.

- If the decision was to proceed, what was the regime that should apply to make it possible.

There needed to be a proper document with conditions spelt out as to what had to be done for recommended benefits to maintain.

In considering a deadline for this exercise it was mentioned that Cabinet had already given approval with some reservations expressed from the NRCA and Tourism side. The NRCA had indicated that, in principle, there was no major problem, but a final decision would be taken on Thursday, December 5, when favourable approval was expected.

It was also mentioned that any decisions made should take into account the fact that Chemical Lime was very active in the Dominican Republic and had great influence on the international market - e.g. Belgium, France.

At the same time, the advantage to Jamaica of being English-speaking with a well-trained work force should not be ignored. There was serious competition.

It was agreed that discussions should continue, with the participation of the Attorney General and representatives from the Ministries of Mining and Finance. The matter should be submitted to the Cabinet by December 9, 1996.

Minister Robertson felt that the system in place for the processing of projects needed to be streamlined, as some of the considerations were introduced much too late. This he attributed partly to the level of personnel assigned from the Ministries; problems were therefore not identified until discussions reached a certain level.

The Prime Minister said his understanding was that the Investment Committee had the responsibility to ensure the involvement of relevant Ministries and Agencies (who should identify the appropriate level of personnel), in order to ascertain what, if anything, required determination at the level of the Council. He expected, therefore, that where there were policy issues or conflicts to be sorted out, such matters would be brought to the Council at an early stage.

CONFIDENTIAL**INCENTIVES**

The Prime Minister referred to the decision taken by Cabinet in 1994, to extend the exemptions under the Motion Picture Encourage Act to the Music Industry. He understood that drafting instructions were ready to be issued to the Chief Parliamentary Counsel.

However, a communication had been received from the Music industry stating that they could wait no longer for the promised incentive, and were asking in the interim for the Minister of Finance to exercise his powers for a remission of the duty in respect of the relevant items.

The Prime Minister said that persons coming to Jamaica to record major productions were faced with Customs bonds that were totally outside their reach.

It was mentioned that work was proceeding in connection with the amendment to the legislation encompassing the Music Industry and the Motion Picture Encouragement Act; drafting instructions had been issued and the first draft was expected in December 1996.

The Prime Minister said that a formal response should be sent by Minister Robertson and a copy sent to him. It was expected that Mr. Smith and Mrs Gunter would provide the information for an appropriate response.

Minister Junor intimated that he would be submitting the Attractions proposal to Cabinet as there was a definition problem.

INSTITUTIONAL ARRANGEMENTS

The Prime Minister said it was already agreed that Dr. Hughes and Mr. Thomas would be addressing certain requirements for the Technical Unit of the Council.

He, however, stated that the Development Council was a Sub-Committee of the Cabinet. It replaced the Economic and Production Council which used to be serviced by the Cabinet Secretariat.

The documentation - collation, numbering and circulation - and recording of the deliberations all had to be done by the Cabinet Secretariat.

At present, there was no Centre responsible for this exercise, and this was causing much confusion, which could not continue.

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The Cabinet Secretary undertook to regularise the situation.

The next meeting of the Council was scheduled for the second Wednesday in January - January 8, 1997, commencing at 10.00 a.m.

UWI Libraries

OC 5 0pm 1/97

Item 3(IV)

NATIONAL INVESTMENT BANK OF JAMAICA

**US\$50.0M BOND
Equity Investment
Status as at 06 January 1997**

- | | | | |
|----|--|--------------|-----------|
| 1. | Financing Objective | | \$50.0M |
| 2. | Bridging Finance through Bank of Nova Scotia | | \$25.0M |
| 3. | Drawdown to date from BNS | | \$15.0M |
| 4. | Disbursed to date: | | |
| | NDB | \$5.0 | |
| | Braco Pebbles | <u>\$3.0</u> | \$ 8.0M |
| | | | (J\$280M) |

5. Committed to projects:

Project	Amount US\$M
a) Hedonism Runaway Bay	7.0
b) Drax Hall (Marriott)	6.0
c) Seawind Resort	10.0
d) Couples Negril	4.0
e) Swept Away - Trelawny	<u>5.0</u>
TOTAL US\$	32.0M

INDUSTRIAL POLICY IMPLEMENTATION UPDATE

A. WORKPLANS AND ACTIVITIES FOR 1997/98

1. Prepared letter for Chairman of the Development Council and Prime Minister, Rt. Hon. P.J. Patterson dated October 30, to all Ministries requesting that details on plans/activities for the Financial Year 1997/98 be sent to JAMPRO by December 3, 1996.
2. The following Ministries and Agencies have responded:
 - ▶ Office of the Prime Minister (Tourism including Jamaica Tourist Board)
 - ▶ Ministry of Agriculture and Mining
 - ▶ Ministry of Industry, Investment and Commerce
 - ▶ Ministry of National Security and Justice
 - ▶ Ministry of Local Government and Works
 - ▶ Ministry of Environment and Housing
 - ▶ Ministry of Foreign Affairs and Foreign Trade
 - ▶ Ministry of Health
 - ▶ Ministry of Education, Youth and Culture
 - ▶ Ministry of Public Utilities and Transport
 - ▶ National Investment Bank of Jamaica Ltd. (responded directly)

Those still outstanding are:

- ▶ Ministry of Finance and Planning
- ▶ Ministry of Labour, Social Security and Sports
- ▶ Office of the Prime Minister

These Ministries have been issued reminders.



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MEETING OF THE
DEVELOPMENT COUNCIL
WEDNESDAY, JANUARY 8, 1997
10.30 A.M.

PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and
Transport
Hon. Horace Clarke, Minister of Agriculture & Mining
Dr. the Hon. Paul Robertson, Minister of Industry, Investment
and Commerce
Honourable John Junor, Minister for Tourism
Hon. Dr. Carlton Davis, O.J., C.D., Cabinet Secretary/
Permanent Secretary
Mrs. Charmaine Constantine, C.D., Permanent Secretary, O.P.M.
Hon. Miss Shirley Tyndall, O.J., C.D., Financial Secretary
Mr. Derek Latibeaudierre, Governor, Bank of Jamaica
Dr. Wesley Hughes, Planning Institute of Jamaica
Dr. Vincent Lawrence, Urban Development Corporation
Mr. Nathan Richards, National Investment Bank of Jamaica
Mr. Kingsley Thomas, Agricultural Credit Bank
Mrs. Pat. Francis, President, JAMPRO
Mrs. Maureen Stephenson-Vernon, Director, O.P.M.

IN ATTENDANCE

Mr. Ransford Smith, Permanent Secretary, MIIC
Mrs. Veniece Pottinger, JAMPRO
Mr. Paul Dixon, Special Executive Assistant to HPM

MINUTES

The Minutes No. DC2/96 were confirmed.

Mrs. Vernon intimated that an apology from Dr. Lawrence had been conveyed through her for his absence from the first session of that meeting.

CONFIDENTIAL**MATTERS ARISING****(i) Institutional Arrangements for the Development Council**

Dr. Hughes reported that one person from the PIOJ had been identified - Mrs. Nelson - who was "on board", but Terms of Reference had to be settled and details of the structure remained to be worked out.

Funding from financial agencies had been explored for key personnel. External sources had suggested proposing diversion of resources from existing projects for capital costs which would involve international tendering, given the level of the request being made. However, concern was expressed about providing funds to meet recurrent expenditure, as consideration was usually given requests for funding for specific projects rather than to cover personnel expenses.

No funds were available from local sources.

The Prime Minister pointed out that there were two levels for consideration -

- The level of the leader of the implementation process for the National Industrial Policy for which someone had been identified, subject only to the conclusion of remuneration, in respect of which he had given certain instructions to the Cabinet Secretary which were being pursued.
- The other level was institutional requirements of the Secretariat, which Dr. Hughes and Mr. Thomas had agreed to try and settle.

If some of those persons had been identified, the Prime Minister wondered what could be causing the delay in settling Terms of Reference, fixing their point of location and getting them operational.

The Prime Minister was concerned that the end of the first year of the National Industrial Policy was approaching and the basic mechanisms were still not in place.

The Cabinet Secretary pointed to Dr. Hughes' information concerning funding, which seemed to be in some doubt.

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The Prime Minister recalled that consensus had been reached on the source for the funding.

The Cabinet Secretary said there was some misunderstanding as to who should undertake the exercise, but he would now proceed to have it done.

Mr. Thomas said that an outline of the structure would be available in a week's time. Preliminary steps had been taken to identify office space and the end of January was targetted to have the core of the staff in place. There was, however, some confusion concerning roles.

The Prime Minister said he expected to receive the relevant documents on Thursday, January 16.

The Prime Minister, in order to release staff which was on stand-by, decided to take ITEMS 5(a) and (b) at this point.

(Messrs. Perkins and Roache were admitted to the meeting)

ITEM 5(a) - CHEMICAL LIME PROJECT - Submission 580/MIIC 38/96

Minister Robertson said that extensive discussions had been held on the matter, including the deliberations of a special committee chaired by the Cabinet Secretary which was convened the day before.

The Cabinet Secretary reported that, as scheduled, a meeting had been held with Chemical Lime, involving a wide cross-section of representation - Director-General Godfrey Perkins, Commissioner of Mines Coy Roache from the Mining sector, Mrs Claudette Chin, Mrs. Ruth Crooks, JAMPRO and Ag. Permanent Secretary, Ransford Smith, MIIC.

The Cabinet Secretary said that it was first sought to establish what plans Chemical Lime had.

Their overall plan spanned 10 years. Year 1 would involve a 360,000 tonnes/yr capacity kiln involving infrastructure of US\$50 million.

Three basic principles which would guide the Government's approach to the Year 1 investment plan were indicated to them

- the incentives regime would apply to the industrial minerals sector;

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- The incentives regime must not stray too far from that applicable to the bauxite sector for new or expanded capacity;
- The regime must be consistent with treaty obligations, e.g. WTO, CARICOM , and benefits enjoyed as double taxation.

Chemical Lime requirements were as follows -

- Tax holiday for each unit constructed over a period of 10 years - three different tax holidays for three kilns.
- Allowable depreciation for each unit constructed to commence at Year 6 or Year 11 in each case.
(They were not happy with depreciation starting in Year one, as they claimed they would get no benefit from the tax holiday.)
- No customs duty on machinery and equipment;
- No GCT on goods and services connected with the project;
(The Bauxite Companies have these arrangements and presumably it could be applicable to Chemical Lime)
- Finally, no withholding tax on interest and dividends.

The Cabinet Secretary said that the tax experts had profound difficulty with the requirements concerning depreciation and withholding tax.

He cited the 1988 agreements between Government and the bauxite companies which stated - **"no withholding tax of any nature will be required on dividends or other branch profit remittances to a parent company or head office to the extent such dividends or remittances are not taxable in their home country."**

The principle, Dr. Davis said, was that if there was liability for a tax on income in Jamaica and that tax was payable in the home country, that tax should be paid here.

The Prime Minister was in agreement with the principle as we should not forego taxes here that others could collect.

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Minister Clarke pointed out that if the benefit were applied to interest, there would be much more borrowings.

Minister Robertson said that as part of the Industrial Policy the position had been taken to accommodate special negotiations with individual companies, if some benefit were foreseen. He considered Chemical Lime investment to be one such case.

There was competition with different destinations for investment and this proposal might be a necessary ingredient for Jamaica, the Minister said.

Dr. Lawrence said he would like to see a financial analysis showing the benefits that would accrue to the country. He argued that the investment being made in the mineral mining industry would see the bauxite companies claiming similar incentives and his guess was that the returns to Jamaica, other than recording an investment taking place, would be nil.

Minister Robertson argued that there was an employment quotient of 100-120 persons and infrastructural development involving port facility growth.

(With regard to the growth in the port facility, Dr. Lawrence intimated that he was aware that Chemical Lime was in negotiation concerning the shifting of port facilities.)

Continuing, the **Minister** said an important factor was the psychology of a relatively large investment taking place in 1997 - a signal to those who claim there could be no foreign investment here.

Further, the Minister said that the bauxite industry had a totally different cost structure from the lime industry.

Permanent Secretary Constantine queried the cost of equipment for write-off, after 15 years of tax holiday. Mrs. Francis' response was that depreciation would start after six years.

The Prime Minister said he was mindful of the freedom to negotiate for special cases. He was also mindful of the reality that claims from others with comparable situations (in this case an investment in the mineral sector, injection of US\$50M and employment of 100-120 persons) would be forthcoming and could not be denied.

Regarding the bauxite companies he said that it could be potentially argued that they had a moral entitlement.

Minister Clarke pointed out that he had been trying to get Chemical Lime into Jamaica. The idea of the one-off

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application of an incentive mentioned by Minister Robertson, however, reminded him of the Gypsum Company which was originally given an incentive in perpetuity; a situation which was only changed when the Company came into public ownership.

Concerning competition for destination, the Minister mentioned that Chemical Lime had been operating a quarry in Costa Rica from the 1980's, but considered that a good deal could be obtained in Jamaica, which they were seeking.

They had been offering predatory prices to the bauxite industry. He said he was not against determining a basis for the investment, but pointed to the fact that such operations had the capability of rapidly relocating equipment, and the current environmental problem in the United States which demanded quick action could be a related factor in their consideration.

The Minister was against the granting of incentives on a one-off basis for which there would be no returns.

Dr. Hughes was of the view that incentive target should be limited. He was not against the granting of comprehensive incentives, but there must be some value-added of note, elements of which should be encouraged.

Permanent Secretary Ransford Smith referred to the submission which recommended a mid-term review to ensure that the Company performed in terms of structural work.

It was important, he said, to ensure that the local supply to the bauxite industry was not the only thing; the output of 350,000 to 400,000 short tonnes of lime from a single kiln, with two or three kilns added subsequently would definitely mean going beyond the local industry.

Minister Davies referred to the matter as an administrative nightmare if viewed as a one-off case. Immediate claims would be forthcoming and it would mean introducing a policy.

The Prime Minister said his understanding was that no commitments would be given for incentives across-the-board, but for special arrangements with potential investors.

It should however be understood that anybody who presented a similar proposal subsequently would of necessity have to be granted the same facility. Failing this, there would not only be cries of discrimination but accusations of corruption.

A special deal was being made in accordance with the National Industrial Policy, but once granted for Chemical Lime, there could be no pretence that similar proposals could be denied.

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In summary, **the Prime Minister** said -

The tax holiday was supported;

No customs duty on machinery and equipment - supported;

No GCT on goods and services connected with the project - supported;

No withholding tax on interest and dividends - supported as expanded by the Cabinet Secretary, that is, provided tax is not payable elsewhere.

Depreciation was not supported.

Dr. Lawrence pointed to the 98% debt component and 2% equity which he said raised his doubts about the proposal.

Mr. Richards sought a cost benefit analysis to facilitate a proper judgement.

The Prime Minister was adamant that the whole process could not be reverted to the point of inviting comments. He was weary of the practice of requesting reconsideration of matters. What was now up for discussion was in relation to incentives. All other matters had already been discussed ad nauseam.

The Cabinet Secretary was requested to resubmit the matter to Cabinet on Monday, January 13, 1997.

ITEM 5 (b) - WESTERN CEMENT PROJECT - Submission 501/MIIC 24/96

The project was supported for tax benefits similar to those approved for the Chemical Lime Project.

- ✓
2 The Prime Minister directed JAMPRO to ensure that in preparation for the announcement of the projects a proper analysis of all the benefits be made for the presentation.

(Messrs Perkins and Roache left the meeting.)

CONFIDENTIAL**MATTERS ARISING (CONT'D)****3(ii) Status Report - Implementation of National Industrial Policy - Submission DC4 MIIC 3/97.**

Mrs. Francis said requests had been made of the various Ministries for details on plans for the Financial Year 1997/98 to be sent to JAMPRO by December 3. To date, responses were outstanding from the Ministries of Finance and Planning, Labour, Social Security and the Office of the Prime Minister, to all of which reminders had been issued.

Permanent Secretary Constantine said letters were sent out to all agencies falling under the Office of the Prime Minister directing that the information requested be fed directly into JAMPRO by December 3, 1996.

Information from JAMPRO concerning non-compliance was received only the day before (January 7, 1997).

She undertook to ensure that responses from all agencies under the Office of Prime Minister were forwarded to JAMPRO.

Mrs Francis pointed to certain problems which were delaying the process: information was not being prepared in the format requested, necessitating dialogue concerning re-arrangement; seminars with various Ministries, involving the Permanent Secretaries and staff responsible for the collection of the relevant data, were also considered necessary, to try to initiate some methodology for approach; and it appeared that the programme, in accordance with the National Industrial Policy, was not understood by some.

The Prime Minister felt that it was necessary, at this stage, to have a sequel to the broad meeting held at the Conference Centre. It was important, he said, to bring everybody together to explain what really needs to be done.

✓
3 **The Prime Minister** directed the President of JAMPRO to consult with her Chairman, in order to set an appropriate date for that Meeting.

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Continuing, **Mrs. Francis** mentioned that the Public Awareness Programme was scheduled to be re-started in St. Ann on January 16, after suspension for the holiday season.

She said that the Ministry of Foreign Affairs had identified reasons for their involvement and were advised to discuss the matter with JAMPRO and the Ministry of Industry, Investment and Commerce.

She said that there was increased private sector interest and activity, with voluntary offers to put together groups for implementation in certain sectors. Papers had been submitted with suggestions of programmes for certain industries, e.g. Mr. McIntosh of Sealy and others had put forward their thoughts on how they saw the National Industrial Policy; and there was also a group on Sports and Entertainment, and another group on capital formation.

She said that, in addition, parish programmes were coming on stream; the Portland Group already had one meeting and were coming up with their own plan as to how the NIP could impact on that parish; and consideration was being given to merging the St. Mary and Portland Groups.

She said that the Bankers' Association had invited JAMPRO to make a presentation to its membership and small groups were being approached with a view to making presentations to them on a one-off basis.

3 (iii) **Report on Tourism Sector, in particular, Development Plans for Drax Hall, Runaway Bay, Oracabessa and Culloden.**

Drax Hall - Minister Junor reported that discussions were held with the Drax Hall Development Company regarding the financing aspect.

He said that the preference shares aspect had advanced and the Memorandum would be completed soon, to raise US\$15M; and Drax Hall was required to give comfort to preference shareholders to meet the shortfall.

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The Prime Minister recalled that at the last meeting Dr. Lawrence and Messrs. Thomas and Richards were directed to meet with the principals, during the week beginning Monday, December 2, and to inform him how it was proposed to proceed with the project.

Mr. Thomas reported that there were ongoing discussions with the principals. He said that information received indicated that there was uncertainty as to their plan to get the remainder of the financing. He said, however, that they proposed to raise a certain sum in foreign currency on the local market, with comfort to the potential preference shareholders and this would mean asking the Government to guarantee to meet the shortfall on the coupon rate to the preference shareholders; a contingent liability of some US\$8 million. He said that any decision would have to await the outcome of the issue. He added that the value of the total investment envisaged was US\$64.7M - with provisions from BNS (Cayman) of \$20.4M; Marriott \$2M; Promoters \$5.25M; NIBJ \$6M; TDB \$600,000 (agreed in principle); BNS intended to raise \$15M - an additional US\$15M approx. was therefore needed.

Mr. Thomas said his information was that finalisation of the package was a long way off.

Hedonism - Minister Junor - reported as follows - The total cost of the project was US\$28.7 million. In terms of debt, \$6M from CDB; \$5.5 from NDB; \$1.4M from TDB; additional debt required was \$2.2M and NDB was to be approached.

The equity - Developers \$5M; NIBJ \$7M; Superclubs 1M; TDB \$600,000.

Minister Davies pointed to the split in the Government's contribution and wondered if each entity acted individually in the application of terms and conditions.

The Prime Minister voiced his concern about "promoters" as distinct from "developers" who identified and acquired land with part payment, and subsequently inflated the value to impute equity contribution, thereby gaining a commanding position in decision-making, but a mendicant position in

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relation to financing, resulting in favourable responses from the NIBJ et al, and to requests for Government guarantees on funding from commercial sources. He said that in such circumstances, it would suit the Government to undertake the Project on its own.

Dr. Lawrence expressed concern about entities which committed financing and started disbursement of funds without proper shareholders' agreements which dealt with the rules governing management.

Mr. Richards stated that the NIBJ was in the process of setting up a monitoring system.

✓ 4 The Prime Minister's attention was drawn to the discussion at the last meeting concerning the institutional structure for the management of investments, when NIBJ was directed to submit the matter to Cabinet in two weeks from November 29 for a final decision regarding the structure.

Dr. Lawrence mentioned that he had information which could be used in the formulation of the guidelines for the management of such investments.

The Prime Minister expressed displeasure with the lack of action on decisions taken.

Minister Davies said that it was time for the Government to determine the direction of such projects, as timing was important.

Mrs. Francis supported this view, a position, she said, she had held from last year. She said that projects would not develop exactly as envisaged and for them to materialise they would have to be viewed critically, control taken by Government and deals made. She thought that what exactly existed on the ground was often different from original proposals.

Governor Latibeaudierre said that with strategic planning, the Government should be in a position to determine facilities needed in a particular time-frame and be the driving force behind the provision of such facilities. He said that there should be a "co-ordinated approach" in seeking financing, recognising the constraints.

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Culloden - Minister Junor said that the project was not on for this year.

He mentioned that the Montego Bay Seawind was brought back into operation in November, but at a cost considered significant, due to the costings having been done in Jamaican Dollars.

Oracabessa -

Before receiving the report on Oracabessa, **The Prime Minister** referred to discussions at the previous meeting, in relation to

- the management on behalf of Government of entities, once privatised;
- the Government's involvement in new projects and the extent of its exposure without commensurate command of the decision-making process.

He said that based on reports, it had been repeatedly stated that there was need to recognise as a fact that most of those projects, while conceived by private promoters really depended on public sector financing and support, and therefore the Government should assume a more commanding position in the decision-making from conceptualisation to completion.

He affirmed that Government would not itself manage the projects but should be free to determine the best managers and to settle with them the terms of their contract.

He said that at the last meeting, the NIBJ was deputed to undertake that work, and three members of the Development Council had been requested to undertake certain aspects of that exercise. He said it was important for Dr. Lawrence to be involved, as much of the land was previously owned by the UDC, which was also hitherto involved with some of the companies.

He said that the group would involve MoF, BOJ, PIOJ, JAMPRO and appropriate Ministry representatives, depending on the subject - Tourism, Agriculture, Industry, etc.

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✓
5 The Prime Minister directed that the work be completed with despatch and certainly before the Cabinet Retreat of Thursday, February 13, when it was proposed to examine Budgetary matters. Mr. Thomas was designated to ensure that the document was presented to him in time.

Dr. Lawrence mentioned that he had drafted some outlines considered appropriate for Sugar and PETROJAM and Dr. Rattray was involved with formulating something for Air Jamaica. He suggested that those could form a basis for the Shareholders' Agreements, after examination of the salient points. He thought that there should be no difficulty in meeting the deadline.

Reverting to Oracabessa, Minister Junor said that water was still the major aspect of the project.

Minister Pickersgill reported that the Chairman of the Water Commission had written to him and the communication was copied to Dr. Davis.

He said that:

- (a) it was proposed to extend the 16" pipeline from Balmoral to Spring Valley;
- (b) contractors had been identified and NWC funds would be used for this work;
- (c) the award of contract was scheduled to be made at the end of January 1997; and completion of pipe-laying should be by mid-May.

He said that the pipeline would take the pipes to within six miles of Oracabessa and then \$90M would be needed to take water to the town.

✓
6 The Prime Minister directed Minister Pickersgill to write the Developers, with a copy to him, informing them of the proposed time-frame.

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ITEM 4 - REPORT ON DEVELOPMENT FINANCING FOR INDUSTRY
Submission DC3 MFP 1/97 and

ITEM 3(iv) - Status of Refinancing Programme/Equity
Investments

The report stated that as regards the US\$50M Bond float, \$25M was subscribed through BNS; \$15M had been drawn-down of which \$8M had been disbursed; and a review of the projects to which commitment had been given indicated that the additional amount would not be utilised.

Mr. Richards said commitments totalling \$32M had been made against projects.

Minister Davies contended that those commitments were for projects which were still "about to be" and said there was no point in borrowing and holding funds to await disbursement.

Governor Latibeaudierre pointed out, too, that the rate on deposit was less than the borrowing rate.

The Prime Minister said he wished to ensure that more was not being paid out on the money borrowed than was received from onlending.

He also wished to be informed if it would be necessary to draw down the additional \$25M, as a decision not to do so would constitute a change of factors in the original plan. This, he said, would necessitate an announcement to that effect, as failure to do so would be inimical to his image.

(It was mentioned that funds not drawn from BNS would not attract interest, but possibly a small commitment fee.)

Mr. Richards stated that the remaining US\$25M would not be pursued. He said there would be resources in the system to enable retirement of the existing obligation with BNS.

Minister Davies felt that the real demand was over-estimated. The relationship between the different Government institutions needed to be tightened up, he said, and now that there was a better feel of what to expect, the Development Banks should never be out of funds while holding viable projects.

Mr. Latibeaudierre said there was need to know not only amounts required, but the timing. There should be recognition that there had been a change; the six months' lead time formerly needed to garner funds was no longer necessary.

✓
7 The Prime Minister wished at some convenient time, perhaps in the presentation of the Supplementary Estimates, but very soon, to announce the changes in the US\$50M Bond float.

CONFIDENTIAL**PETROJAM PROCEEDS**

It was recommended that 50% of the divestment proceeds from PETROJAM be earmarked for development financing.

Concerning the other 50%, **the Prime Minister** said he had no objection to the amount going through the Budget, except that it should be ensured that there was no stalling in capital projects. The amount, he said, should not be lost in the "vortex" of other funds.

Dr. Lawrence said there was confirmation with the Ministry of Finance that the figure was US\$68M.

He said that he had written a final letter giving a deadline of January 15, 1997 for pay-over. He added that verbal, not written, confirmation on the agreement had been received the day before, (January 7), but no remittance had been received beyond the initial deposit, which was very small.

Dr. Lawrence said that auditors had been put in place, and possession had not been handed over.

If payment were not made, top management would have to be put in place overnight, he said.

(The Minister of Finance left the meeting.)

The Prime Minister said that, proceeding on the basis that the money would be received, it was agreed that half of it would be available for development financing.

Based on the preceding discussions, the Local Bond Issue, capital cash required and the US\$50M Bond issue all had to be taken into consideration, he added

The Prime Minister wished to have at least J\$100 million made available for MIDA, as they were urgently in need of funds. He said that an advance made to them by UDC was being shown on their books as a loan.

Concerning the portion which would be going to the Central Budget, **he wished the Financial Secretary to indicate how the capital programmes would be protected, both in terms of quantum and cash flow.** He said that he was anxious that there was no cessation.

MATTERS ARISING (CONT'D)**3 (v) NIBJ Institutional Strengthening**

Mr. Richards noted that it had been accepted that what was asked of the NIBJ had to be met.

CONFIDENTIAL

DC1/97

The Prime Minister intimated that a Cabinet Retreat was scheduled for February 13 and 14.

Mrs. Pat Francis tabled information on Project GTP Communications Ltd., a proposal to construct and maintain full service, wireless telecommunication system.

The Prime Minister recalled that he had suggested the need for a multi-disciplinary group to discuss the matter, as it impacted on the Ministry of Public Utilities and Transport, the Broadcasting Commission, and also had a developmental element.

✓
9 Mrs. Vernon was therefore directed to liaise with Dr. Wallace and Mrs. Francis on the matter.

The next meeting of the Development Council was scheduled for Wednesday, March 12, 1997, at 10.00 a.m.



CABINET OFFICES

1207/97
1
PRIME MINISTER
MAR 5 - 1997

MEMORANDUM

TO : Members of the Development Council
FROM : *for* Permanent Secretary/Cabinet Secretary *all*
DATE : March 4, 1997
SUBJECT : Development Council Business

Please see, for your attention, a copy of the Draft Agenda for the meeting of the Development Council scheduled for Wednesday 12th instant at 10:00 a.m. A list of Matters Arising from the Retreat (Draft Agenda, Item 5) will be sent to you in a day or two.

cc Hon Prime Minister

DRAFT AGENDA

MEETING OF THE DEVELOPMENT COUNCIL
BANQUET HALL, JAMAICA HOUSE
WEDNESDAY MARCH 12, 1997 COMMENCING AT 10:00 A.M.

1. Call to Order / Opening Remarks - Chairman - Hon. Prime Minister
2. Apologies for Absence
3. Confirmation of Minutes of January 8, 1997
4. Matters Arising:
 - I. Institutional Arrangements for the Development Council (DC1/97 pp 2 - 3)
Professor Harris
 - ii. Chemical Lime Project (DC1/97 pp 3 - 7)
MIIC
 - iii. Implementation of National Industrial Policy (DC1/97 pp 8 - 9)
MIIC / JAMPRO
 - iv. Report on Tourism Sector (DC1/97 pp 9 - 13)
Minister of Tourism - OPM, et al
 - v. Report on Development Financing for Industry and
Status of Refinancing Programme / Equity Investments (DC1/97 pp 14 - 15)
NIBJ / MFP / BOJ
 - vi. Progress Report - NIBJ Institutional Strengthening (DC1/97 p 15)
NIBJ
 - vii. Project GTP Communications Ltd. (DC1/97 p 16)
OPM / JAMPRO
5. Post Retreat Matters
6. Capital Development Fund Matters
7. Any Other Business
8. Adjournment



1231/97

MEMORANDUM

TO : Members of the Development Council
FROM : *um.* Permanent Secretary/Cabinet Secretary
DATE : March 6, 1997
SUBJECT : Development Council Business ✓

Please refer to Cabinet Office memorandum dated March 4, 1997 and your copy of Draft Agenda for the meeting of the Development Council, item 5: we now supply the relevant list.

Also enclosed, for non-Cabinet Ministers, is the pertinent section of the minutes of the Cabinet retreat.

Encs

cc Hon. Prime Minister

DRAFT AGENDA

DEVELOPMENT COUNCIL MEETING

5. Post Retreat Matters

- I Apparel Sector - Review of the Curt Salmon Report
Hon. Ministers MIIC / MPUT
- ii Agricultural Sector - Variation in Interest
 - (a) rate of inflation for the duration of the loan - no cap; or
 - (b) fixed rate throughout the life of the loan
 - (c) line of credit to farmers' group
Hon. Minister MAM / Mr. K. Thomas
 - (d) Water- tank project
Hon. Minister MAM / PIOJ
- iii Government's:-
 - (a) Refinancing Programme
 - (b) Review of involvement (current and hoped for) in tourism sector
How to administer funds? How much more to put in.
Mr. Richards / Dr. Lawrence / Mr. Thomas
 - (c) Position Paper on our investments - How to protect ? How to exist
Professor Harris
 - (d) Direct lending by NDB
NDB / NIBJ / BOJ / MFP
- iv Import Policy Issues - What can be done
MFP / MIIC

3. CONSTRAINTS

- i) Some Ministries did not adhere to the format provided;
- ii) Some did not provide time-frames;
- iii) In many cases, the information provided referred to activities in the current financial year;
- iv) From some reports submitted, it is apparent that the dialogue/communication which should have taken place between Ministry and Ministry, Ministry and Agency and vice versa has not been done.

4. RECOMMENDATIONS

- i) A formal detailed presentation on the National Industrial Policy be made to Permanent Secretaries, Chief Executive Officers and Heads of Agencies, as well as their "second in command". To be done by mid-January 1997.
- ii) The deadline be extended to January 31 where necessary:
 - ▶ to allow for a revision of those reports submitted and
 - ▶ to allow for outstanding reports to be submitted
- iii) Ministries to be requested to list their activities for Financial Year 1997/98 in order of priority.

B. PUBLIC AWARENESS PROGRAMME

The Public Awareness Programme was suspended as of mid-December 1996, due to the holiday season.

Format of presentations is being revised to effect decision of last Development Council meeting, where presentation by Cabinet Minister done in conjunction with an activity in the parish.

Presentations will resume mid-January with a scheduled presentation by the Minister of Labour, Social Security and Sports in St. Ann on January 16.

C. PRIVATE SECTOR ACTIVITIES

It must be noted that despite the fact that members of the private sector have publicly criticized the Policy, some members have been initiating activities aimed at developing implementation strategies:

- One such development, worthy of note, but which is still in its formative stages, is the formation of a small group headed by Mr. Donald McIntosh (Sealy), and including Mr. Sameer Younis (Jamaica Manufacturers' Association), Mr. Anthony Gomes (Jamaica Chamber of Commerce), Mr. Anthony Jenkinson (Nunes, Scholefield, Deleon and Company), Mr. Dennis Morrison (Jamaica Bauxite Institute) and a JAMPRO representative.

This small group at the initiative of Mr. McIntosh, has targeted Cluster 4 (Apparel and Other Light Manufacturing) to develop an Industry Advisory Council along the lines of the Canadian System (Sectoral Advisory Groups on International Trade - SAGIT).

Recommendations and suggestions will be made to Government on further developments.

- The Portland Parish Committee, which had been established as a result of a presentation of the Public Awareness Programme in that parish, will reconvene at the end of January.
- The Jamaica Bankers' Association has invited the President of JAMPRO to make a presentation to its members on the implementation of the National Industrial Policy with emphasis on the financial sector on February 6, 1997 at 9:00 a.m.

JAMPRO
January 7, 1997

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
 Funding - US\$50.0M Bond Issue

Prepared: 97/01/06

Company Name	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
1. HEDONISM Runaway Bay	Tourism	To construct and operate an 'all-inclusive' hotel with 2225 rooms to be marketed as a fun resort catering to middle and upper end couples and singles	(US\$7.0M) 245 000 000	Feb-96	--	Financing not in place. Pre-construction phase complete but actual construction has not yet commenced.
2. Drax Hall Hotel & Golf Club	Tourism	The development of 180 villa lots, villas, 15 condo sites, a 27-hole golf course, a 100 slip marine & village and a 280 room beachfront hotel on 800 acres of land in St. Ann	(US\$6.0M) 210 000 000	Mar-96	--	Financing not yet in place. Construction expected to commence 2nd quarter 1997
3. Braco Pebbles	Tourism	Second phase of Braco Village, Trelawny involving the development of a 208-suite hotel of which 156 will be sold and leased back to be operated as an all-inclusive	(US\$3.0M) 105 000 000	Mar-96	(US\$ 3.0M) 105 000 000	This project involves 4 Phases. NIBJ has invested in Phase 1 which is the construction of 52 units. Sale of these units will finance other phases. NIBJ being asked to provide additional funding for cost over-runs. Proposal being reviewed.
4. Couples, Negril	Tourism	Development of 250 room 'all-inclusive' resort targeting the 25-35 age group, located in Bloody Bay, Negril on 15 acres of land with 1 000 feet of beach frontage	(US\$4.0M) 140 000 000	Apr-96	--	Pre-construction activities in progress. Construction to begin January 1997. All conditions met. Disbursement expected March 1997
5. Seawind Resorts	Tourism	UDC & Private investors for the expansion of the property by the addition of 146 rooms to realize a 250 room 'all-inclusive' hotel with central facilities including a convention hall	(US\$10.0M) 350 000 000	Apr-96	--	Construction was scheduled to have started the second quarter of 1996/97 fiscal year. Status of project requested but not yet received.

Company Name	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
6. Swept Away- Trelawny	Tourism	The construction of a 227-room all- inclusive hotel on 37 acres of land in Duncan's Bay, Trelawny.	(US\$5.0M) 175 000 000	Nov-96	--	Construction has not yet started
TOTAL JS			(US\$35.00M) <u>1 225 000 000</u>		(US\$3.0M) <u>120 000 000</u>	

* Exchange rate: J\$35:US\$1.00

UWI Libraries

NATIONAL INVESTMENT BANK OF JAMAICA

JS\$1.0B Development Bond

Equity Investments

Status as at 6 January 1997

1.	Subscribed to date		\$430.5M
2.	Received to date		\$430.5M
3.	Disbursed to date: NDB	\$100.0M	
	Pragma	4.0M	
	Fellowship Aquaculture	2.0M	
	Mt. Pleasant Estates	10.9M	
	Int'l Magnetic Products	8.8M	
	Debt Restructuring Projs.	11.0M	\$136.7M
	Net Balance		<u>\$293.8M</u>

4.	Committed to projects:	
	Project	Amount
		J\$M
	a) Clarendon Lime	22.4
	b) Surrey Hatcheries	3.2
	c) Mahoe Beach	64.0
	d) Kgn. Crowne Plaza	100.0
	e) Mt. Pleasant Estate (Bal.)	9.1
	f) Kokoya Group	5.0
	g) Nautilus Submercibles	16.0
	h) Ja. Edible Oils & Fats	18.0
	I) Canco Ltd.	6.8
	j) Grizzly's	13.0
	k) Coffee Industries	4.85
	l) NCST-Waste Water	3.0
	m) Western Cement	11.2
	n) Braco Pebbles 11	25.03
	o) Int'l Magnetic Product 11	7.0
	p) Debt Restructuring	<u>38.20</u>
	TOTAL	346.78

NATIONAL INVESTMENT BANK OF JAMAICA

Status of
DEBT RESTRUCTURING PROGRAMME
as at 6 January 1997

SOURCE OF FUNDING:

JS1.0B Bond	500.0M
Capital Development Fund(CDF)	<u>500.0M</u>
TOTAL	1 000.0M

RECEIVED TO DATE FROM:

JS1.0B Bond	\$150.0M
CDF	<u>\$375.0M</u>
TOTAL	\$525.0M

ALLOCATION:

A. Small Hotels - \$100.0M

Received to date (CDF)	100.0M
Committed to date	29.2M
Disbursed to date	11.0M
Pipeline (11 projects)	71.8M

B. Other Projects - \$900.0M

Received to date CDF	\$275	
Bond	<u>\$150</u>	425.0M
Committed to date		20.0M
Disbursed to date		--
Pipeline (28 projects)		354.5M

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
Funding - Capital Development Fund (CDF)

Prepared: 97/01/06

Company Name	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/ Progress
1. Westban	Agriculture	The establishment of 1200 hectares of export quality bananas, provision of extension services and coordination of the sale of export fruit	12 000 000	Mar-93	12 000 000	Fully disbursed. Project curenly at a stand still and unable to achieve its targeted objectives. NIBJ has been approached to provide additional funding. This proposal is being reviewed.
2. Braco Village	Tourism	Phase 1 of the Braco Development in Trelawny which involves the construction of a 180-room resort targeting adult couples and singles	23 000 000	Apr - 94	23 000 000	Fully operational. The Village has been experiencing cash flow constraints.Approval granted by NIBJ to capitalized the interest due Feb. 1997 (i.e. \$4.6M) .
3. North Coast Bauxite/Alumina	Mining	Feasibility study to establish a 1 million tonne/annum Alumina plant in Jamaica. Funding is for the local component of the study i.e. bauxite reserves evaluation and environmental studies	30 000 000	Jul - 94	20 000 000	Completion of feasibility study expected Dec. 1996. Costs to date are below expectations. No further disbursements expected at this time.
4. Fellowship Hall Dev. Complex	Manufac.	The construction of a factory and commercial space and a housing complex at Corletts Road in St. Catherine	20 000 000	Jul - 95	10 000 000	Disb. not yet fully utilized. Awaiting confirmation of loan funding.
5. Real Resorts (Beaches Negril)	Tourism	Construction of a 225-room all inclusive resort complex in Long Bay catering to singles, couples and families	72 743 190	Apr - 95	72 743 190	Fully disbursed. On schedule for completion Dec 1996. Project cost increase attributed mainly to revaluation of J\$
6. Clarendon Lime Company Ltd.- Phase I	Non-Metallic Minerals	The installation and commissioning of a Lime Crushing plant and quarrying facility at Woodside in Clarendon	10 200 000	Jul-95	10 200 000	Fully disbursed. Crushing plant became operational Mar. 1996. Operations scaled down Sept to Nov 1996 to minimize cash flow.
TOTAL JS			<u>167 943 190</u>		<u>147 943 190</u>	

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
 funding- National Investment Bank of Jamaica funds

Prepared: 97/01/06

Company Name	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status
1. Infochanel	Information Technology	The project involves the services to support and facilitate the development and distribution of telecommunication and information technology	7 139 123	Oct-95	7 139 123	Fully disbursed. The project is fully operational. Subscriptions continue to increase above expectations. Revenues exceed projections for the period.
TOTAL JS			<u>7 139 123</u>		<u>7 139 123</u>	

National Investment Bank Of Jamaica

Project Pipeline - New and Expansion

✓ Date Received	Title	Industry/Sector	Description	Overall Funding Required (US\$)		Funding Sought From NIBJ (US\$)	Status Detail	Source of Funding
				Debt	Equity			
1 21 Jun 96	Plant Nursery Ltd.	Agriculture	Restructuring/expansion of existing 5 hectare farm in Irwin, St. James. Cultivates banana, avacado and other fruits and operates a plant nursery.	0	177,875	78,375	Proposal received, additional information required.	J\$ 1 billion bond
2 28 Mar 96	Restructuring of WESTBAN	Agriculture	The proposal for restructuring aims at the establishment of WESTBAN's own farms of banana intercropped with coffee and the introduction of the banana/coffee intercrop model to the client farmers.	0	3,308,308	354,000	Proposal received - to be reviewed	J\$ 1 billion bond
			<i>Sub Total for Agriculture</i>			432,375		
3 8 Dec 96	Pulse - Trafalgar Entertainment Ltd.	Entertainment	The development of property at 38A Trafalgar Road and operate it as a facility for shows, events and offices.	0	2,000,000	200,000	Proposal received - to be reviewed	J\$ 1 billion bond
			<i>Sub Total for Entertainment</i>			200,000		
4 4 Sep 96	Beanis Hosiery Manufacturing	Manufacturing	The establishment of a free zone hosiery maufacturing operation for export to the United Kingdom.	0	2,845,000	250,000	Proposal received - to be reviewed	J\$ 1 billion bond
5 19 Sep 96	Headley Diesel Surgery (Ja. Int'l) Ltd.	Manufacturing	The formation of a local company to manufacture, market and sell R.G.A. Ass. U.K. products which are designed for diesel engines.	440,550		133,500	Summary received - awaiting formal proposal.	J\$ 1 billion bond
			<i>Sub Total for Manufacturing</i>			383,500		
6 17 Jun 96	Mammee Bay Hotel Project	Tourism	Developnemt of a 210-room hotel in Mammee Bay on 7.5 acres of beachfront property.	14,632,000	14,621,000	7,000,000	Proposal submitted 96-11-01 - to be reviewed	
7 30 Jan 96	Port Royal Development	Tourism	The development of Port Royal into an attractive, vibrant historical port of call and historical tourist destination.	15,000,000	15,000,000	1,500,000	Awaiting updated proposal - J\$4M advanced to date	J\$ 1 billion bond

National Investment Bank Of Jamaica
Project Pipeline - New and Expansion

Date Received	Title	Industry/Sector	Description	Overall Funding Required (US\$)		Funding Sought From NIBJ (US\$)	Status Detail	Source of Funding
				Debt	Equity			
8 8 Jul 96	Port Royal Underwater Museum	Tourism	The development of a state of the art underwater museum cmplex on the seafloor of the sunken city of Port Royal.	0	9,100,000	1,820,000	Proposal received - to be reviewed	J\$ 1 billion bond
9 6 Jun 96	Whitehouse Beach (Ciboney Group)	Tourism	Development of a 120-room all inclusive hotel on 17 acres of beach front land, with plans for an additional 300 rooms.	0	18,100,000	6,000,000	Proposal recieved - awaiting additional information	J\$ 1 billion bond
10 20 Mar 96	Sandals Whitehouse	Tourism	Development of a 273-room all-inclusive hotel in Whitehouse, Westmoreland.	0	42,000,000	10,000,000	Proposal to come (on original list re: US\$50M)	US\$ 50 million bon
11 10 Mar 96	Llandovery Beach Hotel	Tourism	The Friends Group Ltd. is proposing the 250-room hotel and villa development in Runaway Bay, St. Ann. The first phase involves the development of 51 villa lots and the second the construction of a 250-room 'all-inclusive' resort.	0	38,450,000	12,000,000	Summary received- awaiting proposal. (on list re: US\$50M)	US\$ 50 million bon
12 21 Jun 96	Orange Valley Resort and Spa	Tourism	Development of the first phase of a health tourism project, involving the upgrading of a 200 year old plantation property to house a theme park highlighting Jamaica's heritage.	0	3,500,000	700,000	Letter of interest received - proposal to be submitted	J\$ 1 billion bond
13 20 Mar 96	Fairy Hill	Tourism	UDC and Fidelity Merchant Bank - construction of a hotel in Port Antonio. (This project is part of the list which forms the basis of the US\$50M bond issue)	0	12,000,000	6,000,000	Proposal to be submitted (on original list re: US\$50M)	US\$ 50 million bon
14 25 Oct 96	Sea Splash Plantation Ltd.	Tourism	The project involves the construction of a 208 suite resort facility located on 11 1/2 acres of beach front property in Bloody Bay, Negril.	15,000,000	15,000,000	7,500,000	Proposal received - to be reviewed. *	
15 24 Oct 96	Vista Amdassador Resorts Spa	Tourism	The proposal is for the renovation, expansion and up-grade of a 40-room hotel in Montego Bay (presently known as Lifestyle Resorts) Equity financing is	0	5,000,000	5,000,000	Proposal received - to be reviewed.	

National Investment Bank Of Jamaica
Project Pipeline - New and Expansion

Date Received	Title	Industry/Sector	Description	Overall Funding Required (US\$)		Funding Sought From NIBJ (US\$)	Status Detail	Source of Funding
				Debt	Equity			
			required for the expansion, marketing and advertising, and for working capial.					
			<i>Sub Total for</i>			57,520,000		
						Total US\$ Investment		\$58,535,875
						Total J\$ Investment		\$0
						<u>Grand Total (US\$)</u>		\$58,535,875

National Investment Bank Of Jamaica

Project Pipeline - Indication of Interest

Date Received	Title	Industry/Sector	Description	Overall Funding Required (US\$)		Funding Sought From NIBJ (US\$)	Status Detail	Source of Funding
				Debt	Equity			
1 4 Dec 96	Rovan Locke and Associates	Agriculture	Westmoreland based company involved in the conch industry seeking finance to restart operations after loosing vessel in early 1995.				Letter received - awaiting proposal	
<i>Sub Total for Agriculture</i>								
2 22 Feb 96	Pulse Investment Ltd (Villa Ronai)	Entertainment	Development of a theme park in Stony Hill, St. Andrew. The park will include nature park, accommodation, museum and high tech innovations e.g.virtual reality.	0	1,500,000	750,000	Meeting held and proposal to be submitted.	
3 30 Apr 96	Record Films Limited	Entertainment	Financing of a feature length film (Shame and Scandal) for cinema, television and home video.	0	1,137,000	100,000	Meeting held and proposal to be submitted.	
4 27 Nov 96	Reggae Sunsplash International	Entertainment	The company is responsible for promoting a major summer reggae festival. Financing is beig sought to relieve the debt burden and to develop the company's show promotion and merchandising avctivities.	450,000	0	0	Summary received - awaiting additional information	J\$ 1 billion bond
5 6 Dec 96	Bob Marley School for the Arts Institute	Entertainment	The proposed development of theme park at Diamond Hill Estates, Scarlett Hall, Trelawny.				Summary received	
<i>Sub Total for Entertainment</i>						850,000		
6 12 Mar 96	Ceramic Tiles of Jamaica Ltd.	Mining	The installation of a modern ceramic plant near a clay deposit in Tulloch, St. Catherine, that will be able to produce ceramic tiles of international standard and competitive prices.	0	3,400,000	680,000	Meeting held and proposal to be submitted.	
<i>Sub Total for Mining</i>						680,000		
7 9 Apr 96	Pine Grove Guest House	Tourism	The 8-room guest house and restaurant are located on property in the Blue Mountain	0	1,000,000	275,000	Revised "initial" proposal received	

National Investment Bank Of Jamaica
Project Pipeline - Indication of Interest

Date Received	Title	Industry/Sector	Description	Overall Funding Required (US\$)		Funding Sought From NIBJ (US\$)	Status Detail	Source of Funding
				Debt	Equity			
			region of St. Andrew. The proposal is for the purshase of the Guest House for the purpose of establishing a state of the art mountain spa.				31-Nov-96	
8 23 Apr 96	Astra Country Inn/ Country Style Holding	Tourism	Development of Country Style Ltd. - a tourism maarketing company focusing on 'community tourism', in Mandeville.	0	129,450	25,000	Site visit and meeting, awaiting proposal	
9 17 Jun 96	Cove Mountain Resort	Tourism	Development of a16 hectare property in Hanover which is cultivated in banana, coffee and coconut, into an eco-tourism and riding facility.	0	805,893	90,338	Summary received	
10 2 Oct 96	Calico Jack Tours	Tourism	The project aims at provding a package which includes a tour of Port Royal and a boat ride to Lime Cay. The tourist market is being tatgeted.	0	0	0	Summary received	
			<i>Sub Total for Tourism</i>			390,338		
				Total US\$ Investment		\$1,920,338		
				Total J\$ Investment		\$0		
				<u>Grand Total (US\$)</u>		\$1,920,338		

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
Funding - J\$1.0B Bond Issue

Prepared: 97/01/06

Company Name	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
1. Pragma(Port Royal)	Tourism	Feasibility study for the development of Port Royal	4 000 000	Feb-96	4 000 000	Fully disbursed. Feasibility study completed and Memo. of Understanding signed. NIBJ currently reviewing Project Documents
2. Clarendon Lime Co. Ltd Phase 11	Non-Metallic Minerals	Installation and commissioning of a Lime plant	22 400 000	Feb-96	--	Financing not yet finalized. No work has started on the project
3. Surrey Hatcheries & Farms Ltd.	Agri- Bus.	Conversion of an existing fish farm in Portland into an exotic fish farm for export to the USA	3 240 000	Apr-96	--	NIBJ's preconditions not yet met. Having an EIA done is an important condition that must be met for this project
4. Fellowship Aquaculture	Agriculture	Refinancing a 87 acre fish farm in St. Catherine so that production of fingerlings and food fish can recommence.	2 000 000	Apr-96	2 000 000	Fully disbursed. The farm has been rehabilitated and is now fully operational
5. Mahoe Beach Village Resort	Tourism	Refinancing of a beach park facility in Montego Bay	64 000 000	Apr-96	--	Legal docs. finalized. Disbursement scheduled for Jan. 1997
6. Mount Pleasant Estates	Agro-Tourism	The project has two components; 1) a vertically integrated coffee prod and 2) the dev. of a cultural/ecotourism prod. on 143 acres of land in Balcarres, Portland. The funds will be used to expand and diversify the farm and to refinance high interest debt.	20 000 000	May-96	*10 900 000	*Advanced. Financing not yet in place. Project has not yet commenced

Company	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
7. Kokoya Group	Manufac.	Manufacturing of garments for the professional woman in the European marketplace utilizing state of the art production facilities in the Kingston Freezone.	5 000 000	May-96	--	Financing arrangement not in place Promoters to submit revised plan for analysis.
8. Kingston Crowne Plaza	Tourism	Construction of a 138 room/ 9 floor hotel complex by the Crown Eagle Life Ins. Co. The hotel which is in the Constant Spring area is 75% complete	100 000 000	May-96	--	Legal docs to be executed. Construction near completion. Hotel officially opened December 1996.
9. Jamaica Edible Oils & Fats	Manuf.	Establishment of an oil refinery utilizing crude palm oil from Latin America	18 000 000	Jul-96	--	Finan. arrangements being finalized. Factory space and equipment in place. Promoters have injected capital to get the project going
10. Nautilus & Submersibles Ltd.	Tourism	Development of an underwater tour using a 46 seater submarine in the Ocho Rios marine park	16 000 000	Jul-96	--	Financing arrangements not yet finalised. Project has not yet started.
11. Canco Ltd.	Agri-Bus.	The expansion of warehousing space for a food processing facility in Seaforth, St. Thomas primarily involved in the canning of ackee, fresh and dried fruit	6 800 000	Jul-96	--	Warehousing in place. Factory operational and supplying produce to local and overseas markets. Share subscription agreement not submitted as requested before disbursement can be made
12. Grizzley's Entertainment Ltd.	Entertain.	Development of 2 integrated Entertainment Park complexes in Negril & Priory, St. Ann. Facilities include an auditorium, cinema, studio music theme park museum and shops	13 000 000	Sept-96	--	No preconditions met. Work has not yet begun but shows will be held at the existing facilities the Christmas season to raise additional funds.
13. International Magnetic Prods.	Manufac.	Expansion of an existing company to purchase equipment and working capital. The company assembles transformers, inductors & coils for Far East & US suppliers	8 770 000	Sept-96	8 770 000	Fully disbursed. Expansion under way.
14. Coffee Industries Ltd.	Agri-Bus	Expansion of existing processing facilities by the purchase of equip. and working cap.	4 845 000	Oct-96	--	No preconditions met. This project has not started.

Company	Industry/ Sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
15. Braco Pebbles 11	Tourism	Purchase of units at Braco Pebbles	25 030 000	Nov-96	--	Specific units yet to be identified and agreed on.
16. NCST- Waste Water Management Project	Agriculture	The establishment of pilot project to produce sorghum for animal feed on 40 hectares of land, using waste water from the Greater Portmore Housing Scheme.	3 000 000	Nov-96	--	Payment schedule to be submitted
17. Western Cement Company	Mining	The construction of a lime manufac. facility on the former Revere Bauxite site in Maggoty, St. Elizabeth. Products will be for the local and export market.	11 200 000	Nov-96	--	Legal documents currently being prepared. Production expected to commence February 1997.
18. Int'l Magnetic Products 11	Manufac.	Additional funds approved to cover shortfall in working capital.	7 000 000	Nov-96	--	Legal documents being drafted.
Sub-Total J\$			<u>334 285 000</u>		<u>25 670 000</u>	

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
 Funding- J\$1.0B Bond Issue
DEBT RESTRUCTURING PROGRAMME

Prepared: 97/01/06

Company Name	Industry/ sector	Description	Funding Approved	Date Approved	Amount Disbursed	Status/Progress
1. Century Corporation	Manufac.	Manufacturers of whole milk for local market. Refinancing of existing debt required.	20 000 000	Sept-96	--	This company is fully operational. Legal documentation to be finalized. before disbursement can be made.
2. La Mirage Hotel	Tourism	Refinancing a small hotel in Montego Bay with a room capacity of 22 with restaurant and convention facilities	8 000 000	Sept-96	--	Financing arrangements not finalized
3. Casa de Paradise	Tourism	Refinancing a 24 room hotel in Montego Bay. Additional financing also required to complete the hotel	10 200 000	Sept-96	--	Commitment letter sent. Issues relating to new company to be resolved before disbursement
4. Royal Court Hotel & Health Resort	Tourism	Refinancing of high interest debt of a 25 room hotel in Montego Bay	7 000 000	Sept-96	7 000 000	Conditions satisfied. Fully disbursed.
5. Tigress Cottages	Tourism	Refinancing of a 45 room hotel in Negril	4 000 000	Oct-96	4 000 000	Conditions satisfied. Legal documentation finalized. Fully disbursed
Debt restructuring Sub-Total			<u>49 200 000</u>		<u>11 000 000</u>	
GRAND TOTAL J\$1.0 B BOND			<u>J\$383 485 000</u>		<u>36 670 000</u>	

National Investment Bank Of Jamaica

Project Pipeline - Projects for Debt Restructuring

Date Received	Title	Industry/Sector	Description	Overall Funding Required (J\$)		Funding Sought From NIBJ (J\$)	Status Detail	Source of Funding	Banking Institution
				Debt	Equity				
1 17 Jun 96	Jamaica Citrus Growers	Agriculture	The company's main activities are the processing of citrus fruits into concentrate for export and manufacturing of juice and flavored drinks for the local market. Refinancing sought.	0	130,000,000	20,000,000	Awaiting application - deferred re CNB	J\$ 1 billion bond	Century National
2 1 Jun 96	Tropiculture & Ornamentals	Agriculture	Refinancing of cut foliage farm in St. Thomas.	0	10,000,000	10,000,000	Deferred	J\$ 1 billion bond	National Commercial
3 25 Jun 96	Ferris Farmwork Ltd.	Agriculture	Refinancing of dairy farm in Paradise Park, Westmoreland.	0	19,360,000	11,760,000	Awaiting application	J\$ 1 billion bond	Bank of Nova Scotia
4 28 Jun 96	Wildeness Resorts/Lanigan Farms	Agriculture	Refinancing of a fish/cattle farm and entertainment complex in Goshen, St. Ann.	0	33,552,451	10,000,000	Awaiting application	J\$ 1 billion bond	National Commercial
5 3 Sep 96	Lydford Farms	Agriculture	Refinancing of high interest debt of a cattle farm in St. Ann. Additional financing required to improve and expand facilities, and to provide working capital.	0	20,000,000	20,000,000	Awaiting application - deferred re CNB	J\$ 1 billion bond	Century National
6 26 Sep 96	Osbourne Farms (Ja.) Limited	Agriculture	Refinancing of high interest debt of a citrus farm located in St. Mary.	0	0	0	Awaiting application	J\$ 1 billion bond	National Commercial
7 25 Sep 96	Fort Stewart Farms Ltd.	Agriculture	St. Mary based farm that produces payaya for export seeks to refinance high interest debt.	0	8,000,000	8,000,000	Application received, awaiting bank commitment.	J\$ 1 billion bond	Citizens Bank
8 14 Oct 96	Bybrook Estates Limited	Agriculture	Refinancing of high interest debt of a coffee farm located in Blue Mountain. Working capital is also requested.	0	20,000,000	20,000,000	Application received - reviewed	J\$ 1 billion bond	Bank of Nova Scotia
9 18 Nov 96	B&D Trawling Limited	Agriculture	Refinancing of the debt of a company involved in the catching, processing and exporting of conch and lobster primarily to the US.	0	26,000,000	20,000,000	Application received - being reviewed.		National Commercial
10 12 Dec 96	Morant Farms Limited	Agriculture	Banana farm located in Morant Bay, St. Thomas seeking equity investment a) to	0	15,000,000	15,000,000	Project proposal received - awaiting	J\$ 1 billion bond	Horizon Merchant Bank

National Investment Bank Of Jamaica

Project Pipeline - Projects for Debt Restructuring

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Date Received	Title	Industry/Sector	Description	Overall Funding Required (J\$)		Funding Sought From NIBJ (J\$)	Status Detail	Source of Funding	Banking Institution
				Debt	Equity				
			repay outstanding debts, b) to purchase of capital equipment and c) for work working capital.				application		
			<i>Sub Total for Agriculture</i>			134,760,000			
11 9 Apr 96	V.G.C. Holdings Ltd.	Manufacturing	Injection of long term debt and equity to restructure, upgrade and modernize the maufacturing activies of V.G.C. Holdings.	0	38,000,000	12,000,000	Site visit and meeting held - deferred re CNB.	J\$ 1 billion bond	Century National
12 21 Jun 96	Taylor Made Apparel Ltd.	Manufacturing	Refinancing of high interest debt of a contract apparel manufacturing plant in Montego Bay.	0	32,000,000	8,000,000	Approved by Special C'mtee. 96-12-19. To Board 97-01-06	J\$ 1 billion bond	National Commercial
13 21 Jun 96	Jamaica Soya Products	Manufacturing	Refinancing of existing high interest rate debt to restore viability.	0	100,000,000	20,000,000	Awaiting application - on hold - Office of the P.M.	J\$ 1 billion bond	National Commercial
14 21 Jun 96	Wilpac Limited	Manufacturing	Refinancing of existing high interest debt to retore viability of the plastic packaging company.	0	35,000,000	17,500,000	Application received -additional info required	J\$ 1 billion bond	Horizon Merchant Bank
15 7 Feb 96	Modern Woodcraft Co. Ltd	Manufacturing	Manufacturers of wooden furniture for both the export and local markets - refinancing for existing debt required.	0	4,000,000	2,000,000	Awaiting application - deferred	J\$ 1 billion bond	National Commercial
16 15 Feb 96	Serve-Wel Co. Ltd.	Manufacturing	Manufacturers of metal furniture and appliances for both export and local markets.	0	78,193,817	20,000,000	Awaiting application - deferred re: CNB	J\$ 1 billion bond	Century National
17 11 Jul 96	Thermoplastics Jamaica Ltd.	Manufacturing	Refinancing of existing debt of a company that maufactures plastic items.	0	100,000,000	20,000,000	Awaiting application	J\$ 1 billion bond	National Commercial
18 30 May 96	Pamaco Limited	Manufacturing	Refinancing of high interest debt, expansion and upgrading of existing factory facilities for molded concrete and installation material.	0	51,529,320	10,305,864	Summary information received - awaiting application	J\$ 1 billion bond	Citizens Bank

National Investment Bank Of Jamaica
Project Pipeline - Projects for Debt Restructuring

Date Received	Title	Industry/Sector	Description	Overall Funding Required (J\$)		Funding Sought		Status Detail	Source of Funding	Banking Institution
				Debt	Equity	From NIBJ (J\$)				
19 18 Jun 96	Walkers Wood Foods Ltd.	Manufacturing	Refinancing of owerdradt of a food processing enterprise engaged in the export of sauces and seasonings to USA, Canada and UK. \$3.5M to refinance debt and \$3.5 for working capital.	0	7,000,000	7,000,000		Application received - to be reviewed.	J\$ 1 billion bond	National Commercial
20 19 Aug 96	Level's Restaurant and Pastry	Manufacturing	Refinancing of high interest debt at Canadian Imperial Bank of Commerce.	0	0	0		Letter received, awaiting application		Canadian Imperial Bank
21 19 Aug 96	Island Traders Limited	Manufacturing	Manufacturers of fine hand-crafted furniture for the local and export markets seeking to refinance of high interest debt. Financing is also required to renovate offices and for working capital.	0	20,000,000	20,000,000		Awaiting application - deferred re: CNB	J\$ 1 billion bond	Century National
22 5 Jul 96	Terry Gillette Bakery Ltd.	Manufacturing	Refinancing of a company that produces bread and other baked products.	0	8,000,000	8,000,000		Application received - being reviewed	J\$ 1 billion bond	Horizon Merchant Bank
23 13 Sep 96	Barrett Furniture Co. Ltd.	Manufacturing	Refinancing of high interest debt of a furniture manufacturing establishment to restore viability.	15,000,000	2,000,000	17,000,000		Awaiting application	J\$ 1 billion bond	National Commercial
24 3 Sep 96	Speed-O-Graphic Printers Ltd.	Manufacturing	Manufacturers of printed supplies requesting funds to refinance debt and for working capital.	0	10,000,000	10,000,000		Application received, awaiting additional info.	J\$ 1 billion bond	Canadian Imperial Bank
25 27 Sep 96	Sure Manufacturing & Roofing Co. Ltd.	Manufacturing	The company's main business is the manufacture of roof sheeting, roofing accessories, steel purline and other metal products. Refinancing of high interest debt being sought.	0	14,000,000	14,000,000		Application received - being reviewed.	J\$ 1 billion bond	National Commercial
26 8 Nov 96	June Celebrations Limited	Manufacturing	Refinancing of high interest debt of a company which maufacturers confectionery products from local raw material for the local and overseas markets. The company is located in Montego Bay.	0	2,237,000	2,237,000		Application received - awaiting revised proposal		National Commercial

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Project Pipeline - Projects for Debt Restructuring

Date Received	Title	Industry/Sector	Description	Overall Funding Required (J\$)		Funding Sought From NIBJ (J\$)	Status Detail	Source of Funding	Banking Institution
				Debt	Equity				
27 10 Dec 96	Elite Enterprises Limited	Manufacturing	Refinancing of debt of a company involved in the manufacture of aluminium extrusions, manufacture and installation of roofing materials and importation and distribution of industrial equipment and spare parts. Working capital support also required.	0	20,000,000	20,000,000	Application received - to be reviewed.	J\$ 1 billion bond	Horizon Merchant Bank
<i>Sub Total for Manufacturing</i>						208,042,864			
28 25 Jun 96	Brompton Mountain Farms	Mining	Refinancing of existing debt and upgrading of quarrying equipment.	0	23,400,000	11,700,000	Application received - awaiting additional info	J\$ 1 billion bond	National Commercial
<i>Sub Total for Mining</i>						11,700,000			
29 6 Jun 96	Little Pub Complex	Small Hotel	Refinancing of existing debt of the 22-room hotel, restaurant and night club in Ocho Rios.	0	44,251,360	10,000,000	Deferred by Special C'mtee - additional info required.	J\$ 1 billion bond	National Commercial
30 21 Jun 96	Parkway Restaurant, Hotel & Haberdashery	Small Hotel	Small hotel, restaurant and retail business in Ocho Rios seeking to refinance high interest debt.	0	13,300,000	7,500,000	Meeting held, awaiting application	J\$ 1 billion bond	Citizens Bank
31 30 May 96	Caribic Vacations Ltd.	Small Hotel	Refinancing of a tour and destinations management company catering to the European and S. American markets, and a 18-room hotel.	0	12,000,000	6,000,000	Application returned for banker's confirmation.	J\$ 1 billion bond	National Commercial
32 17 Jun 96	Belvedere Hotel	Small Hotel	Equity financing required to refurbish 22-room hotel in Montego Bay and also for working capital.	0	24,000,000	9,120,000	Letter received - awaiting application	J\$ 1 billion bond	
33 17 Jun 96	Richmond Hill Hotel	Small Hotel	Equity required to refinance hotel in Montego Bay.	0	0	0	Letter submitted - awaiting application		
34 15 Jul 96	Cotton Tree Hotel	Small Hotel	Refinancing of a 35-room hotel in Negril. Additional financing is also required to complete the entertainment area.	0	12,000,000	6,000,000	Application received - awaiting bank commitment	J\$ 1 billion bond	Workers Bank

National Investment Bank Of Jamaica
Project Pipeline - Projects for Debt Restructuring

Date Received	Title	Industry/Sector	Description	Overall Funding Required (J\$)		Funding Sought From NIBJ (J\$)		Status Detail	Source of Funding	Banking Institution
				Debt	Equity					
35 22 Jul 96	Carib Blue Beach Resort	Small Hotel	Debt restructuring of a 22-room hotel in Montego Bay.	0	12,000,000	6,000,000		Site visited - awaiting application.	J\$ 1 billion bond	Int'l Trust & Merchant
36 22 Jul 96	Blue Harbour Hotel	Small Hotel	Debt restructuring of a 22-room hotel in Montego Bay.	0	7,000,000	3,500,000		Approved by Special C'mtee 96-12-19 to Board 97-01-06.	J\$ 1 billion bond	Citizens Bank
37 29 Aug 96	Drumville Cove Resort	Small Hotel	Debt restructuring of a 20-room hotel in Negril.	0	700,000	700,000		Deferred by Special C'mtee - all conditions to be met	J\$ 1 billion bond	National Commercial
38 29 Aug 96	Flamingo Development Company Ltd.	Small Hotel	Refinancing of high interest debt of a 21-room hotel in St. Mary.	0	12,800,000	3,000,000		Board awaiting opening balance sheet for final approval	J\$ 1 billion bond	National Commercial
39 20 Sep 96	Club Inferno Resort Hotel & Restaurant	Small Hotel	Refinancing of the debt of a hotel and restaurant situated at the Holiday Village in Montego Bay.	0	20,000,000	20,000,000		Approved by Special C'tee 96-12-19 to Board 97-01-06		National Commercial
			<i>Sub Total for Small Hotel</i>			71,820,000				
					<u>Grand Total (J\$)</u>		\$426,322,864			

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Project Pipeline - Approved Projects

	Title	Industry/Sector	Description	Funding Approved From NIBJ (J\$)	Date Approved	Type of Financing	Currency	Amount Disbursed (J\$)	Directors
1	Surrey Hatcheries and Farm Ltd.	Agriculture	Conversion of existing fish farm in Portland into a tropical exotic fish farm for export to the US market.	3,240,000	April 1996	Preference Shares	JA		D. Sackaloo N. Sampson (Alternate)
2	Fellowship Aquaculture Ltd.	Agriculture	Refinancing of 87 acre fish farm in St. Catherine in order to recommence the production of fingerlings.	2,000,000	April 1996	Con. Debenture	JA	2,000,000	Wayne Blake Nancy Sampson (Alternate)
3	Mount Pleasant Estates	Agriculture	Located on 143 acres in Balcarres, Portland the project will involve 1) vertically integrated coffee production and 2) development of a cultural/ ecotourism product. Funds will be used to expand and diversify the farm and refinance high interest debt.	20,000,000	May 1996	Preference Shares	JA	10,900,000	T. Beckford D. Sackaloo (Alternate)
4	Canco Ltd.	Agriculture	Food processing facility in Seaforth, St. Thomas, primarily involved in canning of pineapple, papaya and ackee as well as dried fruits. Project involves the expansion of existing warehouse space.	6,800,000	July 1996	Preference Shares	JA	0	L. Smith P. Thelwell (Alternate)
5	Westban	Agriculture	The project involves revitalizing the banna industry in Western Jamaica thru :- establishment of 1200 hectares of export quality banana, provision of extension service and co-ordination of the sales of export fruits.	12,000,000	93-03-01	Preference Shares Ordinary Shares	JA	12,000,000	Lenworth Smith and Tina Beckford
6	Coffee Industries Ltd.	Agriculture	Expasion of existing processing facilities by the purchase of	4,845,000	96-10-01	Con. Debenture	JA	0	

National Investment Bank of Jamaica
Project Pipeline - Approved Projects

	Title	Industry/Sector	Description	Funding Approved From NIBJ (JS)	Date Approved	Type of Financing	Currency	Amount Disbursed (JS)	Directors
			equipment and working capital.						
7	NCST - Waste Water Management Project	Agriculture	The establishment of a pilot project to produce sorghum for animal feed on 40 hectares of land, using waste water from the Greater Portmore Housing Scheme.	3,000,000	Oct. 1996		JA	0	B. Sutherland P. Thelwell (Alternate)
		<i>Sub Total for</i>	<i>Agriculture</i>	51,885,000				24,900,000	
8	Grizzely's Entertainment Ltd.	Entertainment	The development of 2 integrated Entertainment park complexes in Negril, Westmoreland and Priory, St. Ann. Facilities will include auditorium, disco, cinema, studio music theme park museum and merchandising facilities.	13,000,000	96-09-01	Preference Shares	JA	0	
		<i>Sub Total for</i>	<i>Entertainment</i>	13,000,000				0	
9	InfoChannel	Information Tech	The project involves the services to support and facilitate the development and distribution of telecommunication and information technology.	7,139,123	95-10-01	Preference Shares Ordinar Shares	JA	7,139,123	Lloyd Pinnock Tina Beckford (Alternate)
		<i>Sub Total for</i>	<i>Information Technology</i>	7,139,123				7,139,123	
10	Kokoya Group	Manufacturing	The manufacturing of garments for the professional woman in the European marketplace, utilizing state of the art production facilities in the Kingston Freezone.	5,000,000	May 1996	Preference Shares	JA	0	C. Lawrence N. Sampson (Alternate)
11	Fellowship Hall	Manufacturing	The construction of factory and	20,000,000	July 1995	Ordinary Shares	JA	10,000,000	L. Phoenix

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Project Pipeline - Approved Projects

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	Title	Industry/Sector	Description	Funding Approved From NIBJ (JS)	Date Approved	Type of Financing	Currency	Amount Disbursed (JS)	Directors
	Development		commercial space and housing complex on a phased basis at Fellowship Hall, St. Catherine.						T. Beckford
12	Jamaica Edible Oils and Fats Co. Ltd.	Manufacturing	Establishment of an oil refinery utilising crude palm oil from Latin America.	18,000,000	96-07-01		JA	0	L. Phoenix H. Fisher (Alternate)
13	Century Corporation Ltd.	Manufacturing	Manufacturers of whole milk for the local market - refinancing of existing debt required.	20,000,000	96-09-01	Preference Shares	JA	0	
14	International Magnetic Products	Manufacturing	Financing of the expansion of an existing company to purchase equipment and working capital. The company assembles transformers, inductors and coils for Far Eastern and US suppliers.	8,770,000	96-09-01	Preference Shares	JA	8,770,000	Erwin Jones Basil Sutherland
15	International Magnetic Products II	Manufacturing	Additional funds approved to cover shortfall in working capital.	200,000	96-11-28	Convertible Debenture	US	0	
		<i>Sub Total for</i>	<i>Manufacturing</i>	71,970,000				18,770,000	
16	Clarendon Lime Co. Ltd. Phase 2	Mining	The installation and commissioning of a Lime plant.	22,400,000	February 1996	Ordinary Shares	JA		L. Pinnock and J. Simpson-James Alternates B. Sutherland T. Beckford
17	Clarendon Lime Co. Ltd. Phase 1	Mining	Phase 1 of an integrated limestone complex which involves the construction of limestone crushing plant and quarrying facilities at Woodside, Clarendon.	10,200,000	July 1995	Ordinary Shares	JA	10,200,000	L. Pinnock J. Simpson-James (Alternates) B. Sutherland T. Beckford

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Project Pipeline - Approved Projects

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	Title	Industry/Sector	Description	Funding Approved From NIBJ (JS)	Date Approved	Type of Financing	Currency	Amount Disbursed (JS)	Directors
18	North Coast Bauxite Exploration Project	Mining	Feasibility study to establish a one million tonne/annum alumina plant in Jamaica. Funding is being sought for the local component of the study ie. bauxite reserve evaluation and laboratory work.	30,000,000	July 1994	Advance	JA	20,000,000	
19	Western Cement Company	Mining	The construction of a lime manufacturing facility on the former Revere Bauxite site in Maggotty, St. Elizabeth. Products will be for the local and export markets.	320,000	Nov. 28 1996	Preference Shares	US	0	
<i>Sub Total for Mining</i>				62,920,000				30,200,000	
20	La Mirage Hotel	Small Hotel	Refinancing of a small hotel in Montego Bay with a room capacity of 22, restaurant and convention facilities. The hotel is on one acre of land and is a mile from the beach.	8,000,000	96-09-01		JA	0	
21	Casa de Paradise	Small Hotel	Refinancing of a 24-room hotel in Montego Bay. Additional financing is also required to complete hotel.	10,200,000	96-09-01	Preference Shares	JA	0	
22	Tigress Cottages	Small Hotel	Refinancing of a 45-room hotel in Negril.	4,000,000	96-10-01	Preference Shares	JA	4,000,000	B. Payne - TPD
23	Royal Court Hotel & Health Resort	Small Hotel	Restructuring of high interest debt of a 25-room hotel located in Montego Bay.	7,000,000	96-09-01	Preference Shares	JA	7,000,000	V. Wallace - NDB
<i>Sub Total for Small Hotel</i>				29,200,000				11,000,000	

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Project Pipeline - Approved Projects

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	Title	Industry/Sector	Description	Funding Approved From NIBJ (J\$)	Date Approved	Type of Financing	Currency	Amount Disbursed (J\$)	Directors
24	Braco Pebbles	Tourism	Second phase of Braco Village, involving the development of a 280-suite all-inclusive family resort. 156 of which will be sold and leased back. US\$3M approved March '96, additional J\$25.03M approved Nov. 96 to purchase of suites for resale.	3,000,000	March 1996	Con. Debenture Ordinary Shares	US	3,000,000	Lloyd Pinnock
25	Drax Hall Hotel and Golf Club (Marriott)	Tourism	The development of 180 villa lots, villas, 15 condo sites, a 27-hole golf course, a 100 slip marina and village and a 280-room beachfront hotel on 800 acres of land in St. Ann.	6,000,000	March 1996	Preference Shares	US	0	
26	Hedonism Runaway Bay	Tourism	An all-inclusive hotel with 225 rooms. It will be marketed as a "fun" resort catering to middle and upper end couples and singles.	7,000,000	February 1996	Preference Shares	US	0	
27	Couples, Negril	Tourism	Development of a 250-room all-inclusive resort targeting the 25-35 age group, located in Bloody Bay, Negril on 15 acres of land with 100 feet of beach frontage.	4,000,000	April 1996	Con. Debenture	US	0	Lloyd Pinnock Tina Beckford (Alternate)
28	Mahoe Beach Village Resort	Tourism	Refinancing of a beach park in Montego Bay.	1,600,000	April 1996	Preference Shares	US	0	M. Manderson-Jones P. Thelwell (Alternate)
29	Seawind Resort	Tourism	UDC and private investors for the expansion of property by the addition of 146 rooms and central facilities including a convention hall, to realise a 250	10,000,000	April 1996	Preference Shares and/or Con. Debenture	US	0	

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Project Pipeline - Approved Projects

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	Title	Industry/Sector	Description	Funding Approved From NIBJ (J\$)	Date Approved	Type of Financing	Currency	Amount Disbursed (J\$)	Directors
			room all-inclusive resort.						
30	Kingston Crowne Plaza	Tourism	Construction of a 138-room hotel which is 75% complete. The 9-storey hotel will be located in the Constant Spring area, and will be marketed as an upscale luxury hotel under the Holiday Inn Crowne Plaza logo.	100,000,000	May 1996	Con. Debenture	JA	0	
31	Braco Village	Tourism	First phase of Braco Development, Trelawny involving the construction of a 180-room resort targeting adult couples and singles. \$3M and \$4.6M in unpaid interest capitalised 95/10/27 and 96/11/28 respectively.	23,000,000	April 1994	Con. Debenture	JA	23,000,000	Lloyd Pinnock
32	Nautilus Submersibles Ltd.	Tourism	Development of an underwater tour of the Ocho Rios marine park utilising a 46 seater submarine.	16,000,000	96-07-01	Preference Shares	JA	0	P. Nicholson-Clarke P. Thelwell (Alternate)
33	Real Resort (Beaches Negril)	Tourism	Construction of a 225-room "all-inclusive" resort complex in Long Bay, Negril catering to singles, couples and families.	72,743,190	95-04-01	Preference Shares	JA	72,743,190	Nathan Richards
34	Pragma (Port Royal)	Tourism	Feasibility study for the development of Port Royal.	4,000,000	96-02-01	Preference Shares	JA	4,000,000	Lloyd Pinnock
35	Swept Away - Trelawny	Tourism	The construction of a 227-room all-inclusive hotel on 37 acres of land in Duncans Bay, Trelawny.	5,000,000	96-11-28	Preference Shares	US	0	
36	Braco Pebbles II	Tourism	Purchase of units at Braco Pebbles.	25,030,000			JA	0	

National Investment Bank Of Jamaica
Project Pipeline - Approved Projects

Title	Industry/Sector	Description	Funding Approved From NIBJ (J\$)	Date Approved	Type of Financing	Currency	Amount Disbursed (J\$)	Directors
	<i>Sub Total for</i>	<i>Tourism</i>	277,373,190				102,743,190	
		Grand Totals (J\$)	\$513,487,313				\$194,752,313	

UWI Libraries

Note on
(Item 5a)

MEMORANDUM

TO : *Hon. Prime Minister*
FROM : *Cabinet Secretary*
DATE : *January 7, 1997*
SUBJECT : *Chemical Lime*

I presided over a fairly long meeting with Chemical Lime in respect of the incentives they wish in order to invest in Jamaica.

In attendance were:

Chemical Lime *Mr. Joe Payne, Senior Vice President; Ms. Linda Hall, Tax Manager; Mr. Mark White, Director, International Business Development; Messrs. Eric Crawford and Tony Gabbadon, Price Waterhouse (Consultants); and Mr. Karl Hendrickson.*

G.O.J. *Myself; Mr. Ransford Smith, Acting Permanent Secretary, MIIC; Mr. Godfrey Perkins, Director General, MAM; Mr. Coy Roache, Commissioner of Mines; Mrs. Claudette Chin, JAMPRO; and Mrs. Ruth Crooks, JAMPRO.*

In regard to the projected investment Chemical Lime informed that it is as follows:

✓

Yr 1.	<i>Kiln No. 1 Capacity 360,000 tonnes/yr at an investment including infrastructure of US\$50 million.</i>			
Yr 4.	<i>Kiln No. 2 Capacity 360,000 tonnes/yr Investment US\$35 million.</i>			
yr 7.	<i>Kiln 3 Capacity 360,000 tonnes/yr Investment US\$35 million.</i>			
yr 10.	<i>Kiln No. 4</i>	<i>"</i>	<i>"</i>	<i>"</i>

We indicated three basic principles which would guide our approach to the investment.

These are:

- (a) the incentives regime would apply to the industrial minerals sector;*
- (b) the regime at (a) must not stray too far from that applicable to the bauxite mineral sector for new or expanded capacity;*
- (c) the regime must be ^{consistent} with our treaty obligations ^{and/or here fits normally} (e.g. WTO CARICOM double taxation).*

In their submission, Chemical Lime indicated their requirements as follows:

- ✓ 1. Tax holiday for each unit constructed over a period of 10 years.*
- 2. Allowable depreciation for each unit constructed to commence at 'year 6 or year 11' in each case.*
- ✓ 3. No customs duty on machinery and equipment (non competing).*
- ✓ 4. No GCT on goods and services connected with the project.*
- 5. No withholding tax on interest and dividends.*

The items which do not appear to pose any major difficulties are (3) and (4).

To the best of our knowledge (3) is standard and on checking with the GCT office (Mr. Bourgeois) we understand that the bauxite companies do not pay-whether this is effected directly or indirectly.

The issue of a tax holiday was never in doubt. The question was whether the term created any problems for us in regard to other activities in the island or in respect of our obligations in the WTO.

It will be a matter of the taxation people indicating what are the maximum limits with which they can live. I gather that they have already gone on record as being opposed the 'delayed' start of the depreciation as indicated above within a tax holiday term.

The matter of withholding tax could be another sticking point.

I cited the 1988/89 agreements with the bauxite companies which read:

....no withholding tax of any nature will be required on dividends or other branch profit remittances from [company] to its parent company or head office in x [countryx] to the extent such dividends or remittances are not taxable in [country x].

What could create a problem with Chemical Lime is that it is likely that such dividends (interest) or remittances could in fact be taxable.

They have raised the question whether the requirements is just one of those things 'on the books' that is not in fact being audited. This has to be determined by the taxation people, or the policy changed if it proves to be a significant deterrent to investment growth and development.

The likely positives from this investment as far as I can see are:

- 1. Employment during construction.*
- 2. Employment of some 100 - 120 persons - for the first unit of production at any rate.*
- 3. The 'demonstration effect' of a fairly major investment in Jamaica by private overseas business.*
- 4. The utilization for the value in (1), (2) and (3) of a resource for which we have considerable reserves.*

5. *The possibility of useful infrastructure and 'down stream' activities.*

The probable negatives are:

1. *The unlikelihood of any significant corporate income tax payment for a long time.*
2. *The giving of concession which could adversely impact on our international treaty obligations, or our relationship with the bauxite sector.*

CED:em

NOTE

DEVELOPMENT FINANCING FOR INVESTMENT 1996/97

The amounts available, disbursed, and committed for projects in the pipeline for this are set out in the Table at the appendix to this note.

Domestic Resources\$1B Bond Issue

You will note that under this Bond issue, \$635.6M is expected through to December. Disbursements total \$124.8M of which \$100M went to NDB and \$24.8M was disbursed through NIBJ as equity into development projects.

There are commitments of \$313.6M against this line, \$264.4M to equity and \$49.2M to the Restructuring Programme.

Of the cash in hand under this line, there is \$147.2M available for pipeline projects, after accounting for disbursements and commitments. NIBJ has reported that the pipeline projects that they have in hand total \$290M. Therefore, assuming that all these pipeline projects qualify for funding, after they have been evaluated, there is excess demand of \$142.8M on this line. It is hardly likely that this excess demand will impact in 1996/97.

Capital Development Fund

From the CDF, \$500M was promised for equity participation. To date NIBJ has received \$375M and it is expected that the additional \$125M should flow to NIBJ before the end of the financial year. To date NIBJ has financed \$147.9M under this line to projects in the productive sector and \$500M from ESOP. Giving total disbursements of \$152.9M. Against this \$152.9M there are outstanding commitments of \$20M, leaving a balance of \$327.1M available for investment/debt restructuring not yet committed.

Conclusion

If we take the resources from the Bond issue and the CDF and match that against pipeline projects of \$290M, we note that available financing from the two domestic issues, (\$1B Bond and the CDF of \$500.0M), i.e. \$147.2 from the Bond issue and \$327.1M from the CDF, matched against pipeline projects of \$202.2M with amounts reserved for debt restructuring of \$393.4M.

Since funds are fundable, and since the debt restructuring programme is moving very slowly, in an environment where interest rates are trending down, any excess demand for equity could possibly come from the \$393.4M reserved for the debt restructuring programme. For 1997/98 a new financing package would have to be developed for meeting the additional cash flow needs.

US\$50M Bond

In terms of the US\$50M Bond, US\$25M was raised from a BNS line for six months, and was rolled for additional six months. NIBJ has drawn on this line US\$15M. Against this line, NIBJ has disbursed US\$3M to projects and US\$5M have been allocated to the National Development Bank, a total of US\$8M. There are outstanding commitments of US\$27M against this line. It is expected that for this financial year the cash flow requirements under this line will be US\$31M, \$25M has been secured, leaving an uncovered balance of US\$6M.

The US Dollar needs for NDB and NIBJ are set out below:

	1996/97	1997/98	Total
		US\$	
NDB	16.1	46.3	62.4
NIBJ	24.9	71.3	96.2
Grand Total	41.0	117.6	158.6

Of this amount we have earmarked \$25M from BNS which can

be rolled further, leaving a gap of \$133.6M. NDB requires financing of not more than 8% per annum cost of funds, and although NIBJ can onlend at a slightly higher interest rate than NDB. If we were to borrow resources at market rates, and onlend through NIBJ without a Government subsidy, it is hardly likely that the enterprises using these resources could compete.

It is therefore recommended that 50% of the divestment proceeds from PETROJAM be earmarked for allocation to development financing. That would be of the order of approximately US\$37.5M assuming that we obtain \$75M from PETROJAM, free and clear. (This is still to be confirmed by Dr. Lawrence). That would still leave a shortfall of approximately US\$96M. We should try to raise this from one of the development institutions, like World Bank, CDB, IDB, instead of trying for these resources from the market at commercial interest rates for onlending. The strategy should be that we start speaking to the agencies to secure those resources so that will flow in for investment in 1997/97.

NATIONAL INVESTMENT BANK OF JAMAICA
DEVELOPMENT FINANCING FOR INVESTMENT

1996/97

Status : 28 November, 1996

	JS			US\$
	\$1.0B Development Bond	\$500.0M CDF	Total	US\$50.0M Bond
Subscribed to Date	425.5	375.0	800.5	25.0
Cash Flow				
To Date	425.5	375.0	800.5	15.0
Forecast for December 1996	210.1	125.0	335.1	
Total Received to December 1996	635.6	500.0	1,135.6	15.0
Less				
Allocation to NDB	100.0			5.0
Commitment to NDB	50.0	150.0	150.0	
Available Balance	485.6	500.0	985.6	10.0
Less Disbursements				
Projects	24.8	147.9	172.7	3.0
Debt Restructuring:				
Small Hotels				
General				
ESOP		5.0	5.0	
Total Disbursements	24.8	152.9	177.7	3.0
Less Commitments:				
Projects	264.4	20.0	284.4	27.0
Debt Restructuring:				
Small Hotels	29.2			
General	20.0	49.2	49.2	
Total Commitments	313.6	20.0	333.6	27.0
Available for Pipeline Projects	147.2	327.1	474.3	(20.0)
Pipeline Projects:				
Identified	202.2		202.2	51.5
Interest Indicated				1.9
Reserved for Debt Restructuring:				
Small Hotels	87.8			
General	-	87.8	393.4	
Total in Pipeline	290.0	305.6	595.6	53.4
Uncommitted Balance/(Financing Gap)	J\$ (142.80)	J\$ 21.50	J\$ (121.30)	US\$ (73.40)