

2/96

SECOND MEETING OF THE DEVELOPMENT COUNCIL
JAMAICA HOUSE, BANQUET HALL,
WEDNESDAY, NOVEMBER 20, 1996 AT 10:00 A.M.

AGENDA

1. Opening Remarks - Rt. Hon. Prime Minister - Chairman
2. Confirmation of Minutes ✓ DC 1/96
3. Matters Arising

Tabling of Status Reports (as per decisions taken at first meeting)

- ✓ i. Institutional Arrangements for the Development Council
- 3/96 ii. Implementation of National Industrial Policy - MIIC/JAMPRO
- iii. Tourism Towns - Negril, Ocho Rios, Montego Bay update on work currently taking place and implications for the start of the Tourism season - Hon. Minister of Tourism/Hon. Minister of LGW.
- 15/96 } iv. Water Sector - MPUT - NWC
13/96 }
- v. Projects in the pipeline - commitments over the last two months - NDB/ACB.
- 4/96 ✓ vi. Status of Refinancing Programme/Equity Investments - NIBJ
9-12/96 }
- vii. Sugar Industry - status of implementation of task force report - MINAG

- 5/96 4. Development Financing for Investment - Ministry of Finance/Bank of Jamaica
- 6/96 5. Sector Analysis - The Apparel Sub-sector - MIIC/JAMPRO
- 8/96 6. Incentives - Industrial Minerals - MIIC/MINAG/Mining
- 7/96 7. Any other Business
8. Closing Remarks

BACKGROUND BRIEF

DEVELOPMENT COUNCIL

1. Institutional Arrangements - Development Council

I have been in touch with Prof. Harris who has sent me a draft budget for the Technical Secretariat amounting to close to US\$2M for a two year period. I have shared this with Dr. Carlton Davis with a view to identifying funding through international sources. The initial response, however, has not been positive as the rates proposed seem to be out of line. I still feel strongly, however, that this should be done, no matter the cost, and suggest that funding should be provided if possible through the CDF or from a special project allocation from NIBJ and/or the Port Authority.

Implementation has been our weakness, and we cannot afford to fall on this one.

2. Tabling of Status Reports

A number of status reports are due to be tabled - largely for information purposes. Those listed, may be worth brief discussions.

In your absence, Government received its fair share of criticisms for the ongoing work in Negril and the implications for the upcoming Tourism season. You may wish to find out where we are on this.

As per letter to you from Senator Hamaty, NIBJ's Equity Investment Programme is being criticized. I understand that the JHTA is cautioning their members about possible pitfalls re the issuance of Preference Shares. The NIBJ has been asked for its comments.

3. Projects in the Pipeline - ACB/NDB

There has been significant increased activity in the NDB lending portfolio over the last two months. In the case of the ACB, their major activity has been the Interest Rebate Scheme largely through the P C Banks.

NIBJ/NDB was asked to work with BOJ to put in place a Line of Credit to ensure that commitments made could be honoured. You may wish to get an update on this.

4. **New Issues**

Development Financing for Investment

This Report had been requested at the last Development Council meeting. It arose out of discussions regarding the \$1billion Bond issue and the US\$50M issue. You will recall that the BOJ had indicated that with a decline in interest rates, there was now more interest in taking up the Bonds. They said there was, however, need for caution given the possibility of an adverse impact on their Inflation Programme. You had also indicated the need for utilizing proceeds from Petrojam Divestment for development purposes and had asked that a paper be done to reflect these issues.

5. **The Apparel Sub-Sector**

At the last meeting JAMPRO/MIIC had raised concerns about the fallout in the sector. You had requested of them an analysis which would address short and long term issues. The matter is becoming grave as at least two companies have recently advised that they will be leaving. The problem cannot be tackled in a "piece meal" manner. The fact is that the apparel sector is very wage sensitive. In recent times jobs have moved to Eastern Europe where wages are extremely low at this time.

Whereas, we need to be aware of the importance of the sector in terms of jobs, we need to take stock of the long term prospects. In 1986 Government invested a considerable sum under the Kurt Salmon Programme. Here we are, 10 years later, hardly better off.

On the other hand, given the level of redundancies currently taking place, we may need to give special consideration here - employment - young women (a vulnerable group).

MIIC/JAMPRO will be tabling a paper in this regard.

You will recall that we had spoken about Ute Schumacher (German) who is at the PIOJ and could be asked to do some work for the Development Council. Dr. Davis wrote to the Director General proposing that she be asked to work on the following issues:

- An analysis of the Apparel Sector against the background of the global situation and the fall-out currently taking place.
- An analysis of the impact of the revaluation of the currency on the export sector - in particular apparel, tourism, and non traditionals.

You may wish to note that the Governor, in his recent quarterly luncheon indicated that there was no basis to suggest that the revaluation had impacted negatively on exports. I do not believe this view is shared by the PIOJ. You may, therefore, wish to raise this.

Incentives Industrial Minerals

Please see note re Chemical Lime

In reviewing the literature, it became clear that there is the need for a separate Incentive Regime to be put in place for the mining sector. Studies have shown that incentives which offer tax concessions and other advantages, while being appropriate for the manufacturing and agricultural sectors are inappropriate for mining. These incentives, tend to be over generous in aspects which are not essential to the industry and Government may forego substantial revenues for no reason.

In our situation, we are looking at a tax holiday (7-10 years) and or an accelerated depreciation allowance. It may also be possible to impose a levy similar to bauxite, or increase the royalty payment.

A Paper is being prepared by MIIC/MINAG in consultations with Ministry of Finance.

Kingsley Thomas spoke to me re Highway 2000 - the proposal for the toll road, super highway. He is not sure whether the study will be ready for Wednesday's meeting. I have therefore, not included it on the Agenda which is already daunting.

M. Vernon
1996 November 18

UWI Libraries

4 PM

In preparing for this meeting it became clear to me that people were not clear what the Development Council was about. By that I mean that some Ministers thought that they needed to prepare lengthy reports on their Ministries others saw it as perhaps an extension of Cabinet or the Investment Facilitation Board - to bring specific issues to your attention.

I have indicated to them that the Development Council is a forum for dealing with Policy issues which affect production and development. Routine issues affecting the implementation of a project should be dealt with at the Investment or Trade Facilitation Boards which were set up for 4

purpose. Only if there is a policy matter regarding a project should this be referred to Council. If not, the Council can become bogged down in dealing with trivial issues which should be addressed elsewhere. We meet once every two months for an average of two hours and we need to maximize the use of that time.

I feel though that when the Technical Secretariat is up and running a lot of the information being presented will be distilled by them and only those issues requiring policy decisions will be submitted to Council.

Maureen

P.S. Format and Procedures for the
Development Council

It is being proposed that the meeting be convened in a manner similar to Cabinet Meetings. By that I mean that the meeting be confined to the 15 core members. Ministers and Advisers will be allowed to bring in their Technical Team only when the relevant subject is being discussed.

This will give us some control over the papers for circulation

✓
DC 13/96

NATIONAL WATER COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 1996

Chartered Accountants

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To the Commissioners of
THE NATIONAL WATER COMMISSION

Auditors' Report

We have examined the financial statements set out on pages 2 to 10 and have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At March 31, 1995 our examination indicated deficiencies in the system of internal control over the recording of revenue and the consequent receivables and in the transfer of accounts payable data to the new computer system. As a result we were unable to determine the accuracy of revenue recorded as \$1,948,000,003, trade accounts receivable of \$534,086,000 and local accounts payable of \$32,404,360. Consequently the impact of uncertainties outlined above relating to revenue and trade accounts receivable on the results of operations for the year ended March 31, 1996 cannot be quantified.

In our opinion, because of the effects of the matters referred to in the preceding paragraph, the financial statements do not give a true and fair view of the comparative state of affairs of the Commission at March 31, 1996, and the results of operations and cash flows for the year then ended. However, a true and fair view is given of the state of affairs of the Commission at March 31, 1996. In other respects, proper accounting records have been maintained.

KPMG Peat Marwick

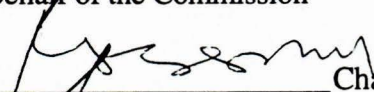
November 12, 1996

THE NATIONAL WATER COMMISSION

Balance Sheet
March 31, 1996

		<u>Thousands of Dollars</u>	
	<u>Notes</u>	<u>1996</u>	<u>1995</u> (Restated)
CURRENT ASSETS			
Cash and bank balances	3	353,844	81,398
Consumers' accounts receivable	4	575,541	475,238
Government of Jamaica Promissory Note	5	98,315	-
Inventories		309,914	81,742
Other accounts receivable and prepaid expenses	6	<u>160,357</u>	<u>24,949</u>
		<u>1,497,971</u>	<u>663,327</u>
CURRENT LIABILITIES			
Bank loans and overdrafts	7	125,286	326,471
Other loans		-	16,977
Deposits and retentions		8,533	22,365
Trade accounts payable		62,032	16,943
Other accounts payable		529,538	1,254,094
Accountant General and Bank of Jamaica		-	832,638
Current and past due maturities of long-term liabilities	8(c)	<u>3,468</u>	<u>537,122</u>
		<u>728,857</u>	<u>3,006,610</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>769,114</u>	<u>(2,343,283)</u>
FIXED ASSETS			
LONG-TERM RECEIVABLE	9	1,757,724	1,663,137
	10	<u>822</u>	<u>822</u>
		<u>\$2,527,660</u>	<u>(679,324)</u>
Represented by:			
RESERVES			
Capital reserve	11	64,026	64,026
Accumulated surplus / (deficit)		1,457,077	(2,959,356)
Capital grants		<u>997,992</u>	<u>867,742</u>
		2,519,095	(2,027,588)
LONG-TERM LIABILITIES	8	<u>8,565</u>	<u>1,348,264</u>
		<u>\$2,527,660</u>	<u>(679,324)</u>

On behalf of the Commission


Chairman
Prakash Vaswani


Commissioner
David Bicknell

The accompanying notes form an integral part of the financial statements.

THE NATIONAL WATER COMMISSION

Operating Statement
Year ended March 31, 1996

		<u>Thousands of Dollars</u>	
	<u>Notes</u>	<u>1996</u>	<u>1995</u> (Restated)
Revenue	12	2,887,441	1,948,003
Operating expenses	13	<u>2,613,146</u>	<u>(2,502,879)</u>
		<u>274,295</u>	<u>(554,876)</u>
Miscellaneous income:			
Interest income		43,647	4,710
Gain on disposal of fixed assets		38,604	148
Non-operating income		<u>2,091</u>	<u>647</u>
		<u>84,342</u>	<u>5,505</u>
		<u>358,637</u>	<u>(549,371)</u>
Other expenditure:			
Bank interest		(16,973)	(76,970)
Loan interest		(120,637)	(298,331)
Depreciation		(70,925)	(62,063)
Foreign exchange losses		<u>(33,875)</u>	<u>(110,785)</u>
		<u>(242,410)</u>	<u>(548,149)</u>
Operating profit /(loss) for the year		116,227	(1,097,520)
Grants	14	<u>130,250</u>	<u>193,315</u>
Surplus/(deficit) for year		<u>246,477</u>	<u>(904,205)</u>
Accumulated deficit at beginning of year			
As previously reported		(2,906,752)	(1,861,836)
Prior year adjustments	15	<u>(52,604)</u>	<u>-</u>
As restated		<u>(2,959,356)</u>	<u>(1,861,836)</u>
		(2,712,879)	(2,766,041)
Government of Jamaica - contribution to surplus	16	4,300,206	-
Transfer to capital grants		<u>(130,250)</u>	<u>(193,315)</u>
Accumulated surplus/(deficit) at end of year		<u>1,457,077</u>	<u>(2,959,356)</u>

The accompanying notes form an integral part of the financial statements.

THE NATIONAL WATER COMMISSION

Statement of Cash Flows
Year ended March 31, 1996

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for year	246,477	(904,205)
Adjustments to reconcile surplus/(deficit) for year to net cash (used)/provided by operating activities:		
Depreciation	70,925	62,061
Gain on sale of fixed assets	(38,604)	(647)
Exchange losses on long term liabilities	<u>13,445</u>	<u>132,207</u>
	292,243	(710,584)
(Increase)/decrease in current assets		
Accounts receivable and prepaid expenses	(235,711)	240,543
Government of Jamaica Promissory Note	(98,315)	-
Inventories	(228,172)	69,504
Increase/(decrease) in current liabilities		
Deposits and retentions	(13,832)	6,597
Trade and other accounts payable	(679,467)	585,699
Accountant General and Bank of Jamaica	(<u>832,638</u>)	<u>283,371</u>
Net cash (used)/provided by operating activities	(<u>1,795,892</u>)	<u>475,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(47,996)	(101,301)
Proceeds from disposal of fixed assets	39,234	687
Additions to projects in progress	(<u>118,146</u>)	(<u>171,256</u>)
Net cash used by investing activities	(<u>126,908</u>)	(<u>271,870</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
GOJ contribution to surplus	4,300,206	-
Proceeds from long term liabilities	8,000	60,184
Repayment of long term liabilities	(1,894,798)	(246,222)
Bank overdrafts	(201,185)	22,051
Other loan	(<u>16,977</u>)	<u>9,219</u>
Net cash provided/(used) by financing activities	<u>2,195,246</u>	(<u>154,768</u>)
Net increase in cash and cash equivalents	272,446	48,492
Cash and bank balance at beginning of year	<u>81,398</u>	<u>32,906</u>
Cash and bank balance at end of year	<u><u>353,844</u></u>	<u><u>81,398</u></u>

The accompanying notes form an integral part of the financial statements.

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements
March 31, 1996

1. The Commission

The National Water Commission is a statutory body of the Government of Jamaica, providing water and sewerage facilities to the urban and rural areas of Jamaica.

Under the provisions of the National Water Authority Act 1980, the National Water Commission is responsible for providing and operating water supply services in the Corporate Area and the rural parishes.

In 1985, the Commission was mandated to take over all the distribution aspects of water operations previously carried out by the Parish Councils. The Commission started billing the relevant consumers for domestic water in July of that year; however, no assets or liabilities of the Parish Councils were identified for takeover.

These financial statements are presented in Jamaican dollars.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention modified for the inclusion of certain fixed assets at valuation.

(b) Depreciation:

In accordance with the policy of the Commission, fixed assets, with the exception of land and land rights, water and sewerage systems in operation in the rural areas and projects-in-progress on which no depreciation is provided, are depreciated on a straight line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Raw water reservoirs, intakes, wells, mains and pumps	2% to 5%
Water treatment plants	2 1/2%
Clear water reservoirs; meters and pumps	2% to 3 1/3%; 5% and 16 2/3%
Buildings and warehouse	2 1/2%
Sewerage plants	12 3/4% and 3 1/3%
Vehicles	20%
Machinery and equipment	10% and 20%

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements (Continued)
March 31, 1996

2. Significant accounting policies, (cont'd)

(c) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account, except losses on loans for projects in progress, which are capitalised.

(d) Inventories:

Inventories are valued at the lower of cost, determined principally on a weighted average cost basis, and net realisable value.

3. Cash and bank balances

This includes foreign currency balances totalling US\$333,117 (1995: US\$12,708)

4. Consumers' accounts receivable

Consumers' accounts receivable are shown net of a provision for doubtful debts of \$947,252,000 (1995: \$731,136,000).

5. Government of Jamaica Promissory Note

The note is receivable in two equal instalments of \$49,157,000 on May 31, 1996 and November 30 1996.

6. Other accounts receivable and prepaid expenses

Other accounts receivable and prepaid expenses are shown net of a provision for doubtful debts of \$2,400,000 (1995: \$2,400,000).

7. Bank loans and overdrafts

These includes foreign currency balances totalling US\$ 1,533,332 (1995: US\$Nil).

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements (Continued)
March 31, 1996

8. Long-term liabilities

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u>
(a) Foreign currency loans:		
Inter American Development Bank:		
2% repayable semi-annually 1987/2014	-	309,364
2% repayable semi-annually 1984/2011	-	111,028
8% repayable semi-annually 1982/1996	-	11,532
International Bank for Reconstruction and Development:		
8 1/2% repayable semi-annually 1980/2001	-	180,699
8 1/2% repayable semi-annually 1990/2000	-	223,146
Caribbean Development Bank:		
8% repayable semi-annually 1987/2001	-	32,411
Italian Government Loan		
13/4% repayable semi-annually 1989/2008	-	458,693
Canadian International Development Agency:		
3% repayable semi-annually 1974/2000	-	10,772
Marubeni America Corporation		
6% repayable quarterly 1995/1997	-	88,972
United States Agency for International Development:		
3 1/2% repayable semi-annually 1972/2011	-	52,529
Mutual Security Bank		
15% repayable quarterly 1995/98	4,083	6,365
Bank of Nova Scotia Jamaica Limited		
15 % repayable quarterly 1995/98	-	53,819
Equivalent US\$ 102,085 (1995:US\$51,424,646)	<u>4,083</u>	<u>1,539,330</u>
Jamaican dollar loans:		
Bank of Nova Scotia Jamaica Limited		
45% Mortgage Loan 1996/2000	7,950	-
Government of Jamaica [see note 8(b)]	-	96,492
Jamaica Public Service Company Limited		
8% repayable monthly 1993/1995	-	63,508
	<u>7,950</u>	<u>160,000</u>
	12,033	1,699,330
Less: current and past due maturities [see note 8 (c)]	<u>3,468</u>	(<u>351,066</u>)
	<u>8,565</u>	<u>1,348,264</u>

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements (Continued)
March 31, 1996

8. Long-term liabilities (cont'd)

(b) The amount due to Government of Jamaica consists of:

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u>
3 1/2% loans, repayable 1968/2008	-	2,795
8 1/2% loans, repayable 1977/1997	-	4,267
8% loans, repayable 1975/1990	-	89,430
	<u>-</u>	<u>96,492</u>

(c) Current and past due maturities of long-term liabilities are made up as follows:

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u>
Interest	-	186,056
Current and past due maturities [note 8(a)]	<u>3,468</u>	<u>351,066</u>
	<u>3,468</u>	<u>537,122</u>

(d) The Government of Jamaica assumed liability for all of the Commission's long term debts at May 31, 1995.

9. Fixed assets

	<u>Thousands of Dollars</u>					
	<u>Land and land rights</u>	<u>Buildings and warehouses</u>	<u>Reservoirs, pumps and sewerage plant</u>	<u>Motor vehicles and equipment</u>	<u>Projects in progress</u>	<u>Total</u>
At cost or valuation:						
March 31, 1995	18,725	3,958	719,796	325,815	800,136	1,868,430
Additions	9,606	-	141,442	47,996	118,146	317,190
Disposals/transfers	(13)	-	(9,606)	(788)	(141,442)	(151,849)
March 31, 1996	<u>28,318</u>	<u>3,958</u>	<u>851,632</u>	<u>373,023</u>	<u>776,840</u>	<u>2,033,771</u>
Depreciation:						
March 31, 1995	-	1,604	104,276	99,413	-	205,293
Charge for the year	-	329	12,747	57,849	-	70,925
Eliminated on disposal	-	-	-	(171)	-	(171)
March 31, 1996	<u>-</u>	<u>1,933</u>	<u>117,023</u>	<u>157,091</u>	<u>-</u>	<u>276,047</u>
Net book values:						
March 31, 1996	<u>28,318</u>	<u>2,025</u>	<u>734,609</u>	<u>215,932</u>	<u>776,840</u>	<u>1,757,724</u>
March 31, 1995	<u>18,725</u>	<u>2,354</u>	<u>615,520</u>	<u>226,402</u>	<u>800,136</u>	<u>1,663,137</u>

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements (Continued)
March 31, 1996

9. Fixed assets, cont'd

- (a) Land and land rights are shown at valuation of \$11,977,000, carried out by executive staff of the Commission during 1975, plus subsequent additions at cost.
- (b) Under Law 34 of 1936, certain of the lands are vested in the Commission but titles thereto are not registered in the name of the Commission.
- (c) Reservoirs, pumps and sewerage plants (originally belonging to the National Water Authority), included above at a cost of \$130,845,000, have not been depreciated.

10. Long-term receivable

Long-term receivable represents contributions to the National Housing Trust up to July 31, 1979, recoverable in the years 2001/4.

11. Capital reserve

This consists primarily of the capitalised value of public mains in subdivisions taken over by the Commission.

12. Revenue

The Commission's revenue is mainly from sale of water and sewerage services, the income for the current year includes \$99,064,787 (1995: \$88,247,000) billed to the Government of Jamaica for water supplied to the Parish Councils through stand pipes.

13. Operating expenses

This includes redundancy payments of \$ 10,043,729 (1995 : \$ Nil).

14. Grants

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u>
Balance at beginning of year	<u>867,742</u>	<u>674,427</u>
Government of Jamaica	130,250	174,900
United States Agency for International Development	<u>-</u>	<u>18,415</u>
	<u>130,250</u>	<u>193,315</u>
Balance at end of year	<u>997,992</u>	<u>867,742</u>

THE NATIONAL WATER COMMISSION

Notes to the Financial Statements (Continued)
March 31, 1996

15. Prior year adjustments

	<u>Thousands of Dollars</u>	
	<u>1996</u>	<u>1995</u>
Overstatement of trade accounts receivable at March 31, 1995	(58,848)	-
Overstatement of accounts payable at March 31, 1995 due to computer errors	46,544	-
Underaccrual of interest on loan from Jamaica Public Service Company Limited, relating to the prior year	(14,349)	-
Gratuity expenses relating to the prior year	<u>(25,951)</u>	<u>-</u>
	<u>(52,604)</u>	<u>-</u>

Trade and other accounts payable and accounts receivable balances have been restated accordingly.

16. Government of Jamaica-Contribution to surplus

The Government of Jamaica assumed certain liabilities of the Commission as part of a restructuring exercise. The liabilities assumed include the total long-term debt, amounts due to the Accountant General and Bank of Jamaica and certain current liabilities.

17. Commitments

At March 31, 1996, there were capital commitments amounting to approximately \$1.2 billion (1995: \$935 million) in relation to contracts for capital expenditure, for which provision has not been made in these financial statements.

18. Contingent liabilities

The Commission was contingently liable at March 31, 1996 in respect of various lawsuits aggregating approximately J\$14.9million and US\$997,000 (1995: J\$28.6 million and US\$281,000).

* 5095/96

Re Item 5

Caribbean Textile and Apparel Institute

11A Waterloo Road, Kingston 10 Jamaica
T. (809) 926-8257 F. (809) 926-6695

Governors

Mark Hart
Charles Johnston
Peter King
Guy Martin

Hon Rex Nettleford OM
Dorothy Over

Paulette Rhoden OD
Leslie-Ann Schweitzer
Sharleen Sleem
Kirk Taylor

Following for Rt. Hon. P.J. Patterson, Prime Minister from Peter King

The State of the Apparel Industry - Salient factors

Employment	There are 6,200 fewer jobs in November 1996 than in November 1995.
Exports	Exports to the USA for the period Jan to Aug 1996 are down 2% in Value and 11% in volume compared to 1995. CBI exports for the same period are up 7% for both value and volume.
Plants	26 factories have closed in the last two years
	6 (1575 jobs) factories have indicated they will be closing before the end of the first quarter of 1997. Names and employment levels : Yoffi (400), Satisfaction (130), ISG (50), Young Ones (570), Manchester Apparel(305) Sogo (120).
	8 (810 jobs) factories have indicated they will be expanding next year : Bike Athletic (30) Garment People (60) Hanes (120) Maggie (30) Starter Sportswear (50) VTR (300) Williamson Dickie (50) Daewoo (200)
Industry issues	A survey of the industry revealed dissatisfaction. The industry indicated a year ago (long before revaluation) issues which it felt ought to be addressed. These include:
	Cost of Production
	Increased tax threshold or productivity tax incentive
	Strengthened institutional support - need for single coordinating body with authority to act
	Targetted Marketing and Promotion using proceeds of Certification fee
	Accurate and timely Jamaican sourced export data
	Proactive Trade Policy management- NAFTA parity. Revival of CARICOM Garment Commission, Meeting of WTO obligations,
	Client servicing - Visits at the highest level should go to principals of firms in jeopardy (Gitano, Yoffi)to say 'what can Jamaica do to keep you working in Jamaica.' US\$20 business visa is perceived as unwelcoming

DC 1/96

**MINUTES OF MEETING OF THE DEVELOPMENT COUNCIL
HELD SEPTEMBER 13/- 14, 1996
BRACO VILLAGE RESORT, RIO BUENO TRELAWNY**

Friday, September 13, 1996.

PRESENT.

1. **The Rt. Honourable P. J. Patterson, P.C., Q.C.**
Prime Minister and Minister of Defence
2. **Dr. the Honourable Omar Davies, Minister of Finance and Planning**
3. **The Honourable Horace Clarke, Minister of Agriculture and Mining**
4. **The Honourable Robert Pickersgill, Minister of Public Utilities & Transport**
5. **Dr. the Honourable Paul Robertson, Minister of Industry, Investment & Commerce**
6. **The Honourable John Junor, Minister of Tourism**
7. **Dr. the Honourable Carlton Davis, O.J., C.D.,**
Cabinet Secretary/Permanent Secretary
8. **The Honourable Shirley Tyndall, O.J., C.D., Financial Secretary**
9. **Mrs Charmaine Constantine, C.D., Permanent Secretary,**
Office of the Prime Minister
10. **Dr. Wesley Hughes, Director General, Planning Institute of Jamaica**
11. **Dr. Vincent Lawrence, Chairman Urban Development Corporation**
12. **Mr. Nathan Richards, Chairman, National Investment Bank of Jamaica**
13. **Mrs. Patricia Francis, President JAMPRO**
14. **Mr. Kingsley Thomas, Managing Director, Agricultural Credit Bank**
15. **Mrs. Maureen Vernon, Director, Office of the Prime Minister**

In Attendance

16. **Mr. Aaron Parke, Permanent Secretary, Ministry of Agriculture & Mining**
17. **Mr. Ransford Smith, Acting Permanent Secretary,**
Ministry Industry, Investment & Commerce
18. **Mrs. Karen Ford-Warner, Director General, Ministry of Tourism, OPM**
19. **Miss Kirby Clarke, Director, Cabinet Office**
20. **Mr. Brian Wynter, Deputy Governor, Bank of Jamaica**
21. **Mr. Claude Clarke, Chairman, JAMPRO**
22. **Mrs Veniece Pottinger, Vice President, JAMPRO**
23. **Miss Debra Hamilton, Special Assistant to the Prime Minister**
Office of the Prime Minister
24. **Mr. Paul Dixon, Senior Exec Assistant to the Prime Minister**
Office of the Prime Minister

The meeting started at 10:15 a.m.

1. **OPENING** The Prime Minister, in his opening remarks stated that the purpose
REMARKS. of the meeting was to review the implementation plan for the National
Industrial Policy (NIP) and the status of projects in progress directly related to
the Policy.

He said that at its launching, reference was made to the implementation plan which he quoted as stating: inter alia, that " the central direction, coordination, integration and monitoring of the overall policy, will be provided by an inter-ministerial council headed by the Prime Minister, and to be called the Development Council..... The Development Council will seek to focus attention on meeting the fundamental objectives of the Policy and on assessing performance within the relevant time-frame".

Consequently, he said, a submission was sent to Cabinet which approved the establishment of the Council. The team included Ministers who were permanent members of the Council, but other Ministers and relevant persons would be invited to meetings, as and when required and the work previously carried out by the Economic Production Council would now fall under the ambit of the Development Council.

The Economic Management Committee (EMC), he said, would still continue with its areas of responsibilities, i.e. analysis of the budget, fiscal and monetary policies, foreign exchange, net international reserves etc, and that deliberations of the Development Council would be informed by data analysis and recommendations emanating from the EMC.

He said that the inter-ministerial committee, which was established to deal with the Capital Development Fund (CDF), would be subsumed in the work of the Development Council. This, he said, was important, as there was need to return to the original intention of the CDF.

He pointed out that the National Planning Council would still remain, as its activities were considered separate from that of the Development Council.

The Prime Minister said that he regarded attendance at meetings of the Council as obligatory except in the instance where the Minister was off the island or otherwise excused; in which case, arrangements for a suitable representative at the highest level should be made in each case

2. THE DEVELOPMENT At the request of the Prime Minister, the Cabinet Secretary

COUNCIL advised that a small group had met and prepared a Mission Statement for

ORGANIZATIONAL the Development Council. This was circulated. (Later, Terms of Reference

ISSUES for the Council, prepared by the group, were circulated). Among the

INSTITUTIONAL recommendations made was the establishment of a small secretariat to

ARRANGEMENTS to include the necessary technical expertise and administrative support for policy research, analysis, strategic planning and advice on economic matters.

After a lengthy discussion with regard to the specific functions of technical secretariat vis a vis JAMPRO, the group, at the request of the Prime Minister, also prepared terms of reference for those bodies.

It was agreed that the Council would meet on second Wednesdays every two months.

3. REVIEW OF

DECISIONS TAKEN

AT PREVIOUS

MEETINGS

(i) DEBT RESTRUCTURING

It was reiterated that the objective of the programme was to provide financial assistance to companies experiencing difficulties as a result of high interest rates, among other factors.

The NIBJ presented a paper summarizing the requests received by major sectors - Agriculture, Manufacturing, Mining and Tourism. It stated that of the 37 projects in the 'pipeline', nine (9) were scheduled to be presented for approval before the end of September for a projected amount of J\$86.43 million. The report stated that the NIBJ planned to present for approval an average of six (6) to eight (8) per month, on the assumption that the required information was received from the companies. This was necessary, it was stated because in many instances the lack of presentation of the information requested, especially in regard to audited financial statements, contributed to the delays in processing the applications.

In the discussion which followed, it was stated that the small business sector which made a significant contribution to the economy, was of the opinion that the system was too rigid, and more flexibility was required with regard to the type of information requested. It was also indicated that part of the programme should include assistance to companies which were not in a position to prepare the necessary documentation to satisfy the prudential requirements. The view was expressed that at the projected rate of

submission for approvals (six to eight per month), it would take an inordinate time for the programme to have the desired impact. Others were of the opinion that on a practical level, many companies would not be in a position to produce the requested financial statements.

The meeting was advised that basic accounting data was what was requested, so as to provide the committee with sufficient information to properly assess the applications.

It was suggested that the committee should make every effort to speed up the assessment of the applications, since resources were scarce, as there were other areas, such as the programmes to deal with poverty alleviation which were badly in need of assistance. It was agreed that care should be taken, not to be providing funds to companies which did not appear to be viable.

The Council endorsed the Prime Minister's suggestion that a team of five to ten persons selected from JAMPRO and the Development Banks should be put together to provide assistance to those companies in need of help in preparing the documentation requested.

(ii) **BOND ISSUE - EQUITY INVESTMENTS**

(a) **Local Bond Issue - J\$1.0B Development Bond**

The National Investment Bank of Jamaica (NIBJ), presented a paper on the local bond issue, indicating amounts subscribed, received and disbursed to-date, as well as amounts committed by projects and a list of projects in the 'pipeline' by sector.

The Deputy Governor of the Bank of Jamaica, stated that with the lowering of the interest rate, it had stimulated interest in the funds. He stated, also, that the problem was making the funds available at an attractive price (for example, there were requests to buy bonds at 20% tax free).

The view was expressed, that the NIBJ needed to have the funds in hand before making commitments.

The Minister of Finance and Planning advised that NIBJ and BOJ should work closely to give commitments, as a line of credit was available and the funds were assured.

Other problems identified were that in some cases the matter went beyond providing technical assistance as many of the companies were under-capitalized. It was the view, that the Government had to decide if it would wish to become involved in those high risk ventures; but whatever the decision the process needed to be accelerated.

Concern was also expressed with regard to the composition of boards of those Companies in which Government participates in one form or the other; and, in consequence, a critical look should be taken at the persons selected so as to ensure that they will seek to properly represent and, among other things, to obtain important relevant reports.

It was agreed that major development issues were to be referred to the Development Council as currently ad hoc decisions were being taken by all and sundry as a result of investors going to various government entities and getting commitments, and this was being done without conforming to the major thrust of the country. It was felt, in consequence, that a mechanism should be in place to allow the Development Council to review the investment portfolio.

(b) U.S. \$50.0 M Bond

The Deputy Governor stated, that on the matter of the U.S. \$50.0 M Bond, discussions had been taking place with the Rotshchild group and the critical factors were cashflows and the rating process. The cash flows, he said, were revised earlier; however, the problem of the rating, still existed, as the lower it got the higher the cost of the funds; and if it got below a certain level there would be no basis for continuing the discussions. Dialogue on the matter could only continue, he said, if improvements were shown in the cash flows. He said that U S \$15 M to U S \$16 M would

be needed between then and the end of the calendar year, and U.S.\$35 M to the end of the fiscal year, for the projects; but in the interim, U.S.\$25 M short-term bridging financing had been secured and was available to be used to the end of the calendar year. He said further, that whatever plan was put in place, consideration had to be given to repaying the short-term bridging financing; and that in the circumstance, initial exploratory discussions to get a sense of what could be done was necessary. He said that it was his impression that the time-period for the type of funds needed was five (5) to seven (7) years; and that there was also the matter of funds currently in the system which could be sufficient to finance new capital or expand existing instruments to create the cash flow required.

The Prime Minister indicated that there was need to add to the productive capacity of the country. To this end, there should be a critical examination of the budget and warrant releases to determine how best to provide funds to projects in a continuous flow. In this regard, he said, two possible sources of additional funds were the bonds issues and the divestment of entities (e.g. PETROJAM).

In relation to this matter, he directed that a technical team, comprising the Financial Secretary, officials from BOJ and NIBJ, was to meet examine various scenarios and prepare a proposal for presentation to the Development Council at a special meeting if necessary, as the matter was urgent.

(iii) EMPLOYEE SHARE OWNERSHIP PROGRAMME (ESOP)

The objectives of the programme were stated as being to provide immediate equity/loan financing for companies and to promote/stimulate the implementation of ESOP's in private companies. It was stated, also, that the project was off to a slow start although companies had been sensitized to the benefits of the programme.

The question was raised on the possibility of combining ESOP and the refinancing project with a view to overcoming the problems of refinancing and to energize both programmes. It was stated that there were objections to that idea as the opinion was that workers should not be investing in companies which did not appear to be viable; and, generally, from experience, workers were not interested in ESOPs.

(iv) **INTEREST REBATE SCHEME**

It was explained, that the scheme was designed for small businesses; and that it had been operating successfully in terms of the demand for funding at the rates available.

Council was asked to allow the scheme to be expanded and to continue for another year.

This was agreed.

(v) **WIDENING OF EXPORT INDUSTRY ENCOURAGEMENT ACT (EIEA)
TO PARTIAL EXPORTERS.**

The Ministry of Industry, Investment and Commerce presented a paper which indicated that draft instructions had been sent to the Chief Parliamentary Counsel (CPC) to prepare a Ministerial Order giving effect to the decision to widen the Export Industry Encouragement Act to partial exporters. It was stated that the proposed scheme, related export sales to total sales as the basis for determining the level of tax credit against total tax liability.

It was pointed out that there was a significant difference between the Caricom Agreement and the instructions to the CPC, in that the Caricom Agreement related export profits to total profits as a basis for determining tax relief on export profits.

In the ensuing discussion, it was pointed out that the practice should be carefully checked out.

The Minister of Industry, Investment and Commerce

advised that the report of the sub-committee examining the issues would be ready for submission to Cabinet in two weeks (September 30).

The lunch break was taken at 1:30 p.m. with resumption scheduled for 3 p.m.

**4. STATUS OF
IMPLEMENTATION
OF THE
NATIONAL
INDUSTRIAL
POLICY**

On the matter of the implementation of the National Industrial Policy (NIP) the Prime Minister stated that a lot of time and effort were spent in building up national expectations. He said that the document had been completed and it was now sterile and would remain in that state until and unless the various groups were galvanized into action; and that failure to do so would result in all regarding it as someone else's. He said that he was disappointed that the programme, which was launched in Mandeville, to take the policy to the people was not moving and he was insisting that activities should begin in earnest so as to ensure that interest was not lost. He reiterated that it was important that all ministries and agencies knew what was in the document, and training programmes should be organised and presented by JAMPRO.

He reminded, that the Development Council was charged with the responsibility of monitoring the implementation of the NIP and to that end JAMPRO was asked to prepare an action plan indicating activities to be undertaken, by whom and within what time-frame, bearing in mind the short, medium and long-term periods referred to in the document; and taking into account the five (5) clusters which had been identified. He strongly suggested that JAMPRO should establish a specific unit to concentrate solely on the implementation of the NIP.

The Minister of Industry, Investment and Commerce stated that the Public Education programme had been scheduled to resume on the 26th September with each Ministry responsible for its particular area.

The President of JAMPRO stated that the organization had reviewed the Policy and had extracted responsibilities and actions for the various ministries and had sent them out for responses. She said that in respect of the marketing of the programme, the approach was to establish a plan for each cluster and to detail the activities. The marketing plan for the film and entertainment industry had been given priority, she said and detailed activities had been sent out. She added that 'bottlenecks' had been identified in the music and entertainment area and plans had been put in place to get the programme moving; that the same approach would be used for all the sectors; and that work had started in the areas of agriculture and manufacturing, including seeking private sector involvement.

In the discussion which followed, it was suggested that consideration could be given to preparing a handbook, or fact sheet, for distribution to both the private and public sectors, informing of the specific tasks that agencies were expected to perform. The meeting was advised that work was in progress in preparing such a document. It was also mentioned that the Office of the Prime Minister had been having discussions and seminars with ministries and agencies. It was suggested, also, that public relations would be greatly aided by extracting some of the things already done so as to brief the public on these.

JAMPRO advised that in keeping with their plans to market the NIP, arrangements were being made to hold a series of seminars over the next three months with the financial sector supported by resource persons from overseas.

In response to concerns raised as to the responsibility for the successful implementation of the policy, the Prime Minister reiterated that each ministry, department and agency was responsible for its sector. He said, too, that JAMPRO would be the catalyst to drive the implementation, and the Development Council would be the executive body with the authority of Cabinet to monitor the implementation and provide resources and assistance in clearing bottlenecks.

JAMPRO advised that it would complete sending out the details to the various ministries/departments and agencies within the next two weeks and responses would be expected within a two-month period.

The Prime Minister instructed that the correspondence should be sent through the Minister to the Permanent Secretary in each Ministry.

5. PERFORMANCE
OF
PRODUCTIVE
SECTORS

(I) MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE

The Ministry presented a paper showing the performance of the sector for the first six months of 1996 relative to the corresponding period in 1995.

Concern was expressed on the decline in manufacturing, increase in imports and decline in non-traditional exports. It was stated that the overall picture showed mixed results for selected commodities and that the major problem was with the garment industry.

The Prime Minister indicated that he had requested a detailed analysis of the performance of the various sectors.

The Minister of Industry, Investment and Commerce stated that work in that area was being carried out and, in particular, with the garment industry; and, subject to funding, the commissioning of a study of the problem.

During the discussion which followed, the following points were made:

- (a) that there was need to seek expertise, externally, because of the type of information which was required to carry out a proper analysis of that industry;
- (b) although it was not a significant contributor to GDP it was important to the economy;
- (c) most of the companies in the business of exports were experiencing decreasing margins because of rising production costs and the inability to increase prices in the export market;
- (d) the price of money was critical in reducing production cost; and
- (e) in many areas, the cost of imported items were less than locally-produced ones resulting in the latter disappearing from the shelves and being replaced with the former.

The Prime Minister reiterated, that for some time, he had requested that a detailed analysis of the data should be carried out and he was disappointed that it had not yet been done. He said that the information needed was:

- (a) which sectors were performing well; and

- (b) which ones were ailing and ought to be considered for support because of the prospect of some vibrancy. He was of the view that such information was vital to assist in the decision-making process and to guide the course of action to be taken.

(ii) **MINISTRY OF AGRICULTURE AND MINING**

The Ministry presented a comprehensive report on the performance of the sector and a status of the major projects being implemented. The areas covered included traditional and non-traditional export crops, domestic food and livestock production, the dairy industry, status of research programmes and new initiatives.

Some areas of concern indicated were the lack of funds to support:

- (a) research and development, especially in new technologies which would ultimately lead to higher production (in an effort to address this matter, plans were moving ahead to rehabilitate vital infrastructure at Bodles);
- (b) the tank-building project to ameliorate the problems small farmers were facing with their inability to procure irrigation water as needed.
- In the discussion which followed, it was suggested that in regard to the tank-building project, a community-oriented approach had a better chance of attracting funding.

In response to issues raised on Rose Hill Farms, it was proposed that the Ministry of Agriculture and Mining, the Agricultural Credit Bank (ACB) and National Investment Bank of Jamaica (NIBJ) should meet.

It was agreed too that the additional funding of \$3.5 million needed for the airport clearance facility should be provided by the Ministry of Finance and Planning.

(iii) **MINISTRY OF TOURISM**

The report presented by the Ministry of Tourism indicated the activities undertaken as a result of recommendations aimed at improving the efficiency and cost effectiveness of the public sector tourism entities.

Some of the activities reported as being carried out included:

- (a) preparation of a tourism master plan scheduled for completion by

October 1997

Minag to provide
update
industry
force + Plan
super
task
Action

- (b) the preparation of a proposal to provide incentives for attractions (being circulated for comments prior to submitting to Cabinet);
- (c) establishment of a National Tourism, Education and Training Council in conformity with the plan of action of the Association of Caribbean States.

Of concern, were activities aimed at maintaining the programme to Sustain the Environment and Tourism (S.E.T.). It was stated that the work which should have been carried out by the Ministry responsible for the programme was not being done, and as a result, the Ministry of Tourism had to be continuing with the maintenance.

Concern was also expressed on the data for cruise ship passengers and stop-over visitors, in that it was felt that there appeared to be inconsistency with some of the information presented. In consequence, it was thought that there was a need to review and disaggregate the data.

The matter of the divestment of the Bath and Milk River mineral spas was discussed. It was explained that because of the conditions laid down in the Trust Deeds, a non-traditional approach to the divestment of those properties had to be pursued.

In response, the Minister of Tourism advised that a proposal taking into account the work done by the NIBJ would be prepared for presentation to the next meeting of the Development Council.

It was agreed that there was a need for stricter co-ordination of the S.E.T. Programme.

(iv) CAPITAL MARKET

There was discussion on the strategies to be used, on the matter of the capital market in which the government had to play a critical role as the scenario had been in the nature of crisis management. One opinion, was that the institutional framework was not in place to attract capital for productive projects as the prospects for good returns were relatively low. In consequence, it was felt that there was the need for a deliberate policy to provide a certain momentum for the process (i.e. to give it a 'kick start'). Another opinion expressed was that the problems of the financial sector were as a result of the

weakness of the productive sector. As such, it was felt that the challenge, was to find a method to influence the financial sector to channel resources to the productive sector; and, that extra stimulus was needed (or indeed a change in programmes), as the observations were, that long term capital decisions had been warped by the high interest rate period.

The Prime Minister indicated that a proposal was being prepared on mobilization of capital in the Caribbean region which should be ready for presentation in two months.

The meeting ended at 6:40 p.m.

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Saturday, September 14, 1996.

PRESENT.

1. **The Rt. Honourable P. J. Patterson, P.C., Q.C.**
Prime Minister and Minister of Defence
2. **Dr. the Honourable Omar Davies, Minister of Finance and Planning**
3. **The Honourable Horace Clarke, Minister of Agriculture and Mining**
4. **The Honourable Robert Pickersgill, Minister of Public Utilities & Transport**
5. **Dr. the Honourable Paul Robertson, Minister of Industry, Investment & Commerce**
6. **The Honourable John Junor, Minister of Tourism**
7. **The Honourable Roger Clarke, Minister Local Government & Works (in attendance)**
8. **Dr. the Honourable Carlton Davis, O.J., C.D.,**
Cabinet Secretary/Permanent Secretary
9. **The Honourable Shirley Tyndall, O.J., C.D., Financial Secretary**
10. **Mrs Charmaine Constantine, C.D., Permanent Secretary,**
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11. **Dr. Wesley Hughes, Director General, Planning Institute of Jamaica**
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16. **Mrs. Maureen Vernon, Director, Office of the Prime Minister**

In Attendance

17. **Mr. Aaron Parke, Permanent Secretary, Ministry of Agriculture & Mining**
18. **Mr. Ransford Smith, Acting Permanent Secretary,**
Ministry Industry, Investment & Commerce
19. **Mr. Calvin Gray, Acting Permanent Secretary, Ministry Public Utilities & Transport**
20. **Mrs. Karen Ford-Warner, Director General, Ministry of Tourism**
21. **Miss Kirby Clarke, Director, Cabinet Office**
22. **Mr. Brian Wynter, Deputy Governor, Bank of Jamaica**
23. **Mr. Claude Clarke, Chairman, JAMPRO**
24. **Mr. Prakash Vaswani, Chairman National Water Commission (NWC)**
25. **Mr. Robert Cranston, President, NWC**
26. **Mrs Veniece Pottinger, Vice President, JAMPRO**
27. **Mr. E.G. Hunter, NWC**

- 28. Miss Debra Hamilton, Special Assistant to the Prime Minister
Office of the Prime Minister
- 29. Mr. Paul Dixon, Senior Exec Assistant to the Prime Minister
Office of the Prime Minister

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The meeting started at 10.15 a.m.

1. OPENING

REMARKS

The Prime Minister, in his opening remarks stated that in accordance with the National Industrial Policy (NIP) the Development Council intended to focus attention on infrastructure, as it impinged on economic growth and development. He then invited the Chairman of the National Water Commission to give an update on the activities in the water sector in relation to the National Industrial Policy.

2. WATER

SECTOR

POLICY

(1) Negril Water Supply

The Chairman of the National Water Commission reported on the status of the Negril Water Supply project, and elaborated on some of the problems being experienced with implementation.

The Prime Minister indicated that it was essential to act expeditiously, and also, that it was important, that personnel at the highest levels at the National Water Commission, meet with business and other relevant persons in the community so as to alleviate a potentially-explosive situation relating primarily to physical dislocations in the area caused by work being undertaken by the NWC.

In the discussions which followed, it became evident that there still existed a lack of coordination between the various entities. In this regard, the Minister of Local Government and Works related the experiences of the digging up of roads, often, after paving had been completed.

The Prime Minister stated that the decision was taken some time before that one individual should be in charge of a project; that in the case of several projects being carried out simultaneously in the same area within an organization, there should be a coordinator with responsibility for all the projects and each person would report to the coordinator on a regular basis.

He stated further, that based on the law, no one had a right to dig up any main road without the requisite permission from the Ministry of Local Government and Works (MLGW). He said, also, that there was need for the overseers in the MLGW to go through the process of familiarization with contractors, especially foreigners who were not acquainted with our systems and laws, to give them precise instructions. He emphasized that coordination

was a key ingredient; and, to that end, NWC must submit a clear plan of action for work on main roads to the MLGW as it was critical that their activities be completed before those of Local Government and Works.

On the matter of contract awards, it was suggested that the selection of consultants should not be settled by PIOJ as they did not have the requisite skills to evaluate persons for highly technical assignments. The Director General of the PIOJ, in response, indicated that the organization performed a coordinating role and selection was made on the basis of the terms of reference received from the entities.

The Prime Minister repeated a request (which was made two months before) asking that a team of suggested persons prepare a proposal aimed at improving project implementation and involving as many local skills as possible. He said, that as a second phase to that assignment, the same team, should examine the criteria for loan/grant arrangements from external sources and submit a proposal, as currently, the system was too fragmented and required streamlining. He said that the group should work closely with the Cabinet Secretary so as to become acquainted with the new arrangements for contract awards.

The problems in regard to sewage and the matter of public risk were raised. The Chairman of the NWC stated that originally, the Corporation never focused on sewage, but they had restructured, and someone had been appointed at the corporate level with responsibility for waste water. He said, also, that nationally there were coordinators at the parish level reporting to the person at the head office.

On the question of water lock-offs in the Portmore area, it was stated that although funds had been provided to deal with the matter, the deficiency still existed. It was explained that there was a severe problem in the aquifers and insufficient water in the wells, and this had affected the entire area through to Hellshire. It was stressed that the matter had to be dealt with in a comprehensive manner as it could affect agricultural production if wells for irrigation purposes were shifted for domestic use.

(ii) Port Royal Development

On the matter of Port Royal development, the Prime Minister sought to obtain clarification of the position in respect of the laying of the pipe lines and road works which had to be done. He posed a number of questions as follows:

- (a) When did NWC contemplate commencing work on the water supply?
- (b) When would the activities of NWC be completed and how did they fit in with the other work being carried out on the project?
- (c) Had funding been identified?
- (d) Was there coordination with the Ministry of Local Government and Works to ensure that the work being undertaken would NOT result in digging up of the surface of the road being laid.

The Chairman of the NWC advised that originally it was envisaged that the project would have been funded from the budget, but that in evaluating other projects for the Kingston Metropolitan Area targeted for funding from the World Bank, the Port Royal project was included in the package. He said that the World Bank's appraisal mission was expected late September/early October and work could not commence in earnest until after the appraisal had been done; but, in the interim, engineering design work was in progress; and, he was not yet in a position to give a commitment on the time-frame for completion of the work.

The Minister of Local Government and Works advised that, based on information received from the NWC, the pipelines would be laid by the side of the road and tenders had been requested for re-surfacing of the road which made it imperative that he be advised by the following Monday, (SEPTEMBER 16) of the status.

The Minister of Tourism indicated that the issue of the water had to be resolved, as the project was scheduled for completion in 1998. He viewed it as important to ascertain when water would be available

The Prime Minister instructed that a meeting should be arranged, as soon as possible, between NWC, Ministry of Local Government and Works and the Ministry of Tourism to settle the areas of concern and establish a time table, after which, the Minister of Tourism was to arrange a meeting of the Port Royal Enterprise Group to advise them of the developments.

It was suggested also that NWC should seriously consider taking over the sewage treatment plant in Port Royal to coincide with the development plans for the area.

(iii) **Falmouth/Duncans/Ocho Rios/Oracabessa**

In respect of the work scheduled for the Falmouth/Duncans and Ocho Rios/Oracabessa areas, the Prime Minister indicated, that in respect of the former, at the opening of the BRACO VILLAGE RESORT some months before, he was advised that work was in progress to provide water in the Duncans area and beyond; and that, as a result, some serious investment projects had been predicated based on the information given.

The Chairman of the NWC, stated that in regard to the Falmouth/Duncans area, a proposal was expected from Anglia Water by September 23, whilst for the Ocho Rios/Oracabessa leg, engineering work had started, using in-house funds and materials. He said that the total projected cost to Port Maria was estimated at J\$292 million.

The Prime Minister stressed that the entire area from Ocho Rios to Port Maria, and especially the Oracabessa development, required immediate attention. In the circumstance, he said that, it was critical that an integrated plan be put in place with the expectation that World Bank approval would be received. He stated that in any event, resources would have to be found to proceed with the development of the area expeditiously.

The Chairman of NWC indicated that in the discussions with the World Bank, the understanding was that funds spent after the visit of the appraisal mission (expected late September/early October), could be recovered, once the project was approved. After being pressed for a specific time-frame, he stated that there could be some indication by October 10, 1996.

3. TRANSPORTATION

Prime Minister stated that a meeting would be scheduled for Tuesday, September 24, to deal with the Kingston Metropolitan Transport Region (KMTR) issues and he would be sending a memorandum and agenda indicating the specific items to be discussed.

4. ROAD

INFRA-

STRUCTURE

The Minister of Local Government and Works indicated that the Ocho Rios project was still incomplete due to work being carried out by the NWC.

Prime Minister reiterated that permission to dig up road surfaces should be refused, until agreement for restoration was in place. He suggested that NWC should agree the cost to do the necessary restoration with the Ministry of Local Government and Works (MLGW) and be prepared to pay for the work. He said, too that the MLGW should procure the materials and ready themselves to do the work when so advised by NWC.

The Minister of Local Government and Works stated that re-surfacing of Fern Gully had been completed. In response to a query on controlling heavy vehicles on that road, he said that the options for another route were being investigated. He said, further, that although the roadway between Port Maria and Annotto Bay was a part of the overall Northern Coastal road programme, it was being looked at with a view to carrying out some remedial work urgently, because of the poor state of the road surface, and that retaining walls were badly needed. He added, that whatever work was carried out in that area, would be integrated with the programme.

He said further, that road work was proceeding or completed in certain tourism areas. He cited: Bath to Morant Bay (which was in a deplorable state); Alligator Pond to Milk River (which had been paved); and Treasure Beach to Black River (which had been opened). He said that there was a major problem in the Sav-la-Mar to Negril area, and suggested that new NWC pipes should be laid and the current ones abandoned, as they had been buried four to five feet underground, making it difficult for repairs to be carried out without causing major dislocation. He also stated that some work was being done on the Sav-la-Mar to Montego Bay route and also in the Rio Grande Valley.

In regard to roads in the agricultural areas, he observed that the HUB programme had been targetted to deal with, among other things; the major banana areas - St. Thomas, St. Mary and Portland - and the approach taken, was to use in-house contracts. He said that work was also proceeding in other areas, including St. James (the 'Westban banana region' which took in the Adelphi to Maroon Town section); in St. Andrew, the Papine area, and Golden Spring - Mt. James - Mt. Airy; and, in the sugar belt, Trelawny, St. Catherine and Westmoreland.

The Minister continued, that the HUB programme was concentrating primarily on access routes to factories, shipping ports and main town centres. He said that minor banana and cane roads were not included in the programme as the Ministry of Agriculture had a small allocation to deal with those areas. He added, that there was a World Bank loan for infrastructure, and input was being obtained from the parish advisory committees so as to decide on priorities.

He said that plans were in place to address the main arterial roads which linked the major areas of production; and that these included overlay to the May Pen by-pass and Spur Tree. He said, too, that discussions were taking place with Alcan in respect of the work to be done on the Melrose Hill by-pass. On the matter of the Old Harbour by-pass, he said there were some problems with the lands, which had been surveyed and acquired in the 1970's had some

imposing structures, which had to be dealt with as a matter of urgency. He mentioned that there were also plans to work on the North/South connecting roads - Mt. Pelier/Middle Quarters and Shooters Hill/Runaway Bay; that a new road processing method, micro surfacing, which used a mobile batch plant was being introduced primarily in areas with high salinity, and that in this regard, seventy-three (73) road sections had been selected.

In the ensuing discussion, the effect of revaluation on contract awards was raised in the context that reductions were not being seen. The Minister stated that the contracts which were being awarded were based on costings which had been done some eighteen (18) months before, and, in his opinion, the effect would be manifested in escalation. On the matter of liability after the completion of road works, the Minister stated that if problems occurred in less than a year, then the retention would be used but that, if in excess of a year it should become the responsibility of the Ministry. He recalled that the previous year, some sub-standard materials were used because the results of the samples sent for testing were not received on a timely basis. He viewed that situation as one that had to be corrected.

The Chairman of the UDC stated that the MLGW had in place a fully-equipped laboratory but had not been using it to carry out the testing. He said, also, there was improved technology available which enabled testing to be done on the spot and the quality determined immediately.

The Prime Minister stated that action should be taken to rectify the situation expeditiously.

The Minister of Agriculture and Mining raised a concern regarding the matter of maintenance of bridges, but, in particular, the replacement of 'Bailey' bridges. In response, the Minister of Local Government and Works advised that in excess of two hundred (200) bridges were in a poor state and there was some lag with the maintenance programme. The Canadian programme, he said, had come to an end and the process taking place was to determine the

requirements and prepare a costing. He said, however, that in the interim some 'Bailey' bridges had been ordered to replace some of the existing ones.

In continuing, the Minister stated that in regard to the Northern Coastal Highway project, tenders for the Negril/Montego Bay segment (funded by OECF), had been evaluated. The Prime Minister suggested that taking into account the complexity of the project, a team of four to five persons from the professional societies (e.g. Jamaica Institute of Engineers, Master Builders Association and an environmental specialist), should be asked to examine the documents, along with the members of the Government Contracts Committee, before submitting the information to Cabinet, so as to ensure that important critical factors had been taken into consideration.

Concerns with respect to land acquisition were raised by the Minister of Local Government and Works, noting that although a Cabinet sub-committee had been set up to deal with the matter, progress had been slow. The Minister of Finance indicated that it was critical that the issues be resolved quickly. He said, among other things, that there was need to put forward a restructured resettlement plan.

The Minister of Local Government and Works continued his presentation by advising that the drawings for segment II of the Northern Coastal Highway sub-project (Montego Bay/Ocho Rios) had been submitted, but that the IDB was not satisfied with the report presented and had requested that another study be done. He said that they had a basic difficulty with the resettlement problem. He mentioned that the study had been completed on another project - the cross country road aimed at by-passing Flat Bridge and Ewarton - and the preliminary estimated cost was U.S. \$85 million.

5. FREEZONES

The Minister of Industry, Investment and Commerce indicated that there was a matter pertaining to trans-shipment which was being investigated and that a report would be prepared and submitted to the Development Council.

6. INDUSTRIAL
PARK
TARENTUM

JAMPRO indicated that there was need to obtain approximately 283.5 hectares (700 acres) in the Tarentum, Clarendon, area, to be dedicated for use as an Industrial Park to be allocated as and when required. The rationale it was stated, was that requests often came in to it for space to carry out projects and there was need for utilities and other amenities. The plan, it was felt was to have the area prepared in an organized fashion so as to provide quick entry into the park in an efficient manner. It was mentioned that there were three requests for infrastructure for bulk shipment - Jamaica Broilers, Chemical Lime and Zia Metalurgical. It was pointed out that the NIBJ had a draft agreement which was being reviewed and that Cabinet had already given approval for the land to be utilized for that purpose.

7. SPECIAL
INVESTMENT
BAUXITE

The Minister of Agriculture and Mining informed the meeting of instructions from Cabinet to BATCO to pay its levy to the CDF, from which Thirty Million Dollars (\$30.0M) would be used for commencement of the programme of special investment projects in the bauxite areas. He stated that the projects would be implemented through existing Government agencies, such as the Social Development Commission, RADA, and the Ministries of Education, Youth and Culture and Local Government and Works.

It was agreed that to facilitate speedy action, the NIBJ would advance the funds until the formalities of withdrawals from the Capital Development Fund could be effected.

8. CLOSING
REMARKS

In closing, the Prime Minister stated that the recommendations emanating from the meeting would be circulated to the members of the Development Council for comments.

He said that the Economic Management Committee would meet on Monday, September 16 at Jamaica House to complete some unfinished business; and the next regular meeting would be on Wednesday, October 9, at 10:30 a.m.

It was agreed that the next meeting of the Development Council would be on Wednesday, November 20, at 10:00 a.m. at Jamaica House, at which time the schedule for 1997 meetings would be established.

The general meeting ended at 1:40 p.m.; however sub-committees were invited to meet and complete specific assignments.

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APPENDIX I

DEVELOPMENT COUNCIL MEETING
SEPTEMBER 13 - 14, 1996
DECISIONS

ACTIVITY	RESPONSIBILITY	TIMEFRAME
1. Development Council Meetings	Development Council Secretariat	Second Wednesdays every two months. Next meeting - November 20, 1996 at 10:00 a.m.
2. Debt Restructuring A team of five (5) to ten (10) persons selected from JAMPRO and the Development Banks to provide assistance to companies in need of help in preparing documents.	Ministry of Finance & Planning, National Investment Bank of Jamaica and Bank of Jamaica	Before next meeting of the Development Council.
3. Local Bond Issue (a) To set up strategy to be used in respect of access to the available line of credit.	Ministry of Finance & Planning, Bank of Jamaica and National Investment Bank of Jamaica	Before next meeting of the Development Council.
(b) Establish mechanism which will allow the Development Council to review the investment portfolio with regard to major development issues.	Development Council Secretariat	To be agreed upon.
4. US\$50.0 M Bond Examine various scenarios with regard to the critical factors identified; prepare proposal.	Financial Secretary, National Investment and Bank of Jamaica	On or before the next meeting of the Development Council.
5. Interest Rebate Scheme To expand and continue the scheme for another year.	ACB/NDB National Investment Bank of Jamaica	Immediate
6. Widening of Export Industry Encouragement Act to Partial Exporters Sub-committee to prepare report for submission to Cabinet.	Ministry of Industry, Investment & Commerce	September 30, 1996
7. Implementation of the National Industrial Policy Preparation and distribution of action plan.	JAMPRO	September 30, 1996
Responses from Ministries, Agencies and Departments.	Ministries and Agencies	End November 1996
8. Ministry of Industry, Investment & Commerce Detailed analysis of data on sectors: (a) those performing well; and (b) those which are ailing and ought to be considered for support.	Ministry of Industry, Investment & Commerce	Immediate

**DEVELOPMENT COUNCIL MEETING
SEPTEMBER 13 - 14, 1996**

DECISIONS

ACTIVITY	RESPONSIBILITY	TIMEFRAME
9. Ministry of Agriculture & Mining		
(a) To review and resolve issues pertaining to the Rose Hill Farms.	Ministry of Agriculture & Mining, Agricultural Credit Bank and National Investment Bank of Jamaica	Before next meeting of Development Council.
(b) Airport Clearing Facility Additional funding of \$3.5M to be provided.	Ministry of Finance & Planning	As soon as possible.
10. Ministry of Tourism		
(a) Divestment of Bath and Milk River	Ministry of Tourism	Next meeting of the Development Council.
(b) S.E.T. Programme Stricter co-ordination of activities.	Ministry of Tourism	Immediate
11. Capital Market		
Proposal on mobilization of capital in the Caribbean Region.	Office of the Prime Minister	End of November 1996.
12. Water Sector		
(a) To select and advise name of Project Co-ordinator with responsibility for the capital projects in the sector.	National Water Commission	Next meeting of Development Council
(b) National Water Commission to submit to the Ministry of Local Government & Works the programme indicating work scheduled to be carried out on main roads.	National Water Commission	
(c) To carry out critical analysis of the domestic water supply problems in the Hellshire area and prepare proposal indicating possible solutions.	National Water Commission	Immediate
(d) Ocho Rios/ Oracabessa/ Port Maria area - to prepare integrated plan of action.	National Water Commission	Immediate
13. Port Royal Development		
(a) Plans for laying of pipelines to be communicated to Ministry of Local Government & Works.	National Water Commission	September 16, 1996
(b) Meeting to settle areas of concern. Minister of Tourism, National Water Commission, Ministry of Local Government & Works and Port Royal Enterprise Group.	Minister of Tourism	Before next meeting of Development Council

**DEVELOPMENT COUNCIL MEETING
SEPTEMBER 13 - 14, 1996**

DECISIONS

ACTIVITY	RESPONSIBILITY	TIMEFRAME
14. As a second phase to a previous assignment the selected team is to examine the criteria for loan/grant arrangements from external sources and submit a proposal to the Development Council.	Minister Errol Ennis	To be agreed upon.
15. Transportation Meeting to discuss Kingston Metropolitan Transport Region (KMTR) issues.	Ministry of Public Utilities & Transport	September 24
16. Road Infrastructure (a) Procedures to be established and issued to National Water Commission with regard to arrangement for restoring of road surfaces, after work done by them.	Ministry of Local Government & Works Transport	Immediate
(b) Team from the Professional Societies to to meet with members of the Government Contracts Committee to critically examine contract documents for the Northern Coastal Highway Project but in particular the Negril/Montego Bay Segment.	Ministry of Local Government & Works	Immediate (before Cabinet Submission is presented)
(c) Carry out further examination of the study for Segment II of the Northern Coastal Highway sub-project (Montego Bay/Ocho Rios) so as to satisfy IDB's request.	Ministry of Local Government & Works	Immediate
(d) Land acquisition - critical issues to be resolved expeditiously.	Ministry of Local Government & Works	Immediate
(e) Set up system to effect timely testing of materials for road surfacing.	Ministry of Local Government & Works	Immediate
17. Freezones Prepare and submit report on trans-shipment matters to Development Council.	Ministry of Industry, Investment & Commerce	Immediate
18. Special Investment NIBJ to advance funds until the formalities of withdrawals from the Capital Development Fund can be effected.	National Investment Bank of Jamaica	Immediate

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.

DC2/96

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.

DC2/96

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.

DC2/96

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.

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.

DC2/96

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.

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?

CONFIDENTIAL

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.

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.

CONFIDENTIAL

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.**

DC2/96

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.

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.

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.

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.

CONFIDENTIAL

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.

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.

CONFIDENTIAL.

DC2/96

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

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STATUS REPORT - INDUSTRIAL POLICY IMPLEMENTATION

1.0 NATIONAL INDUSTRIAL POLICY ACTION PLAN

- 1.1 At the last meeting of the Development Council, JAMPRO was asked to prepare an action plan indicating activities to be undertaken by all Ministries, Agencies and Departments, as contained in the National Industrial Policy document.
- 1.2 This schedule was prepared and sent to the relevant Public Sector bodies, under cover of a letter signed by the Chairman of the Council, Rt. Hon. P.J. Patterson, Prime Minister and dated October 30, 1996.
- 1.3 These reports will form the basis for the coordination, monitoring and evaluation of the progress of the implementation of these plans and activities.

The deadline for compilation and return of this data is December 3, 1996.

2.0 STATUS OF CABINET DECISIONS

- 2.1 In collaboration with the Ministry of Industry, Investment and Commerce, an update of the schedule detailing decisions arising from Cabinet Decision of May 1994, has been prepared and is attached as Appendix I.

3.0 PUBLIC AWARENESS PROGRAMME

- 3.1 The Public Awareness Programme has continued with presentations in six (6) parishes, namely, Manchester (launch), St. Catherine, St. Thomas, Hanover, Portland and Westmoreland.
- 3.2 The level of attendance at these meetings continues to be a matter of concern. The modus operandi of organizing parish visits are as follows:
 - Individual letters sent to persons in the parishes; Mailing lists are usually obtained from organizations in the parishes such as banks, parish libraries, service clubs, Chambers of Commerce, parish councils, churches and schools.
 - Use of JIS facilities to advertise event including "town criers" ,flyer distribution, advertisements in the printed media and radio programmes, support at the venues.

- Follow-up telephone calls to invitees.
- Media coverage sought.
- Resource personnel to accompany the main presenter.

3.3 In discussion with the J.I.S. on how to improve the Programme it was indicated that the Committee on Political Tribalism (chaired by Justice Kerr) has been having similar problems in terms of attendance. It was also observed that more resources were required. Based on this, it is JAMPRO's recommendation that the following changes be made to the Programme:

- increase the use of resource persons to make the main presentations. Presently, Cabinet Ministers or their representatives are the main presenters.
- revise schedule of meetings to reflect most convenient times for various communities.
- provision of a budget to execute an effective Public Outreach Programme, estimated at J\$18.7 million.

3.4 The Council is asked to note that as a result of the meeting held in Portland, a small core group comprising five residents and JAMPRO personnel was established to develop investment project ideas for the parish. These persons are drawn from financial institutions, the business community and the Police. The first meeting of this group was held in Portland on November 18, 1996.

An action plan has been developed for the parish, and this includes the promotion of Portland as a tourism destination for Jamaicans. Potential investment sites will also be assessed and a National Industrial Policy Committee for Portland established.

4.0 PUBLIC EDUCATION ACTIVITIES

4.1 During October JAMPRO had a number of seminars on the National Industrial Policy. Examples of these were:

- Coverage by "Tuesday Forum" on the theme "Innovativeness" on Tuesday, October 15, 1996 on J.B.C. Television.
- UNIDO/JAMPRO Conference, October 17-19, 1996 under the theme "Development through Innovation" and opened by the Rt. Hon. P.J. Patterson, Prime Minister.
- DEFINA Conference on October 25, 1996 under the theme "Mobilization of Investment for Economic Growth" at the

Jamaica Conference Centre.

- HEART/NTA Board Retreat on October 26, 1996 at which the National Industrial Policy was reviewed and presentations on the Policy made by JAMPRO's President, Mrs. Patricia Francis, as well as Mr. Dennis Morrison, Senior Director, Jamaica Bauxite Institute.

4.2 The Jamaica Information Service has been conducting a series of 5-minute presentations on radio to present the Policy in a simplified format targeted at the mass audience. At the moment, the presentations are being done by Mr. Dennis Morrison, Senior Director, Jamaica Bauxite Institute. It is anticipated that other presenters as well as other medium will be used.

JAMPRO
November 18, 1996

NATIONAL INDUSTRIAL POLICYSTATUS OF CABINET DECISIONS

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
1. Review and amend the Industrial Incentives Act (Factory Construction Act) of 1956	- To encourage owner built and occupied factories - To decentralize factory building and encourage private sector construction	- CPC - JAMPRO - FCJ - MIIC	MIIC has retained the services of former CPC, Justice O.D. Marsh, to draft amending legislation. Inter-Ministry/Agency meetings held for agreement on scope and provisions of amending legislation. Drafting instructions issued and first draft of amending Bill expected late January 1997.
2. Amendment of the Jamaica Export Free Zones Act	To allow for private sector designated factories outside of existing Free Zones.	- CPC - Port Authority of Jamaica - JAMPRO - Customs Department - MIIC	In place. Amending Bill has been approved by both Houses of Parliament. Regulations to the Act to be promulgated.
3. Examination of the feasibility of "Special Economic Zones"	To decentralize economic activity; to promote integrated industries; create jobs in high unemployment areas	- JAMPRO - CPC - MIIC	Work towards the establishment of these Zones has begun, for example, Tarentum (Clarendon), Portmore Hi Tech Industrial Park (Portmore Centre, St. Catherine), Industrial Park (Naggo Head, St. Catherine).

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
4. Amendment to MPIC Act of 1948 and (the 1982 amendment)	- To ensure that the legal provisions recognizes and keeps abreast of the technological advances in the industry. - To recognize providers of motion picture facilities and equipment as well as producers of motion pictures - To encourage a more competitive film industry	- MIIC } - JAMPRO } - CPC }	Consultant referred to in #1 to draft amending legislation. Provisions concerning incentives for the Music Industry and the Motion Picture Industry to be encompassed in one legislation. Title of legislation to be Motion Picture & Entertainment Industry Encouragement Act. Drafting instructions issued and a first draft of the amending Bill expected by December 1996.
5a. A study to determine the size/structure and economic potential of the music industry.	To promote the development of the music industry in terms of capital investment and promotion of Reggae as a Jamaican product.		
5b. Extend benefits similar to those under MPIC Act to the music industry.	To encourage greater investment in the industry, such as recording studios, CD manufacturing etc.		
6. Establishment of a central registry for all government properties.	To facilitate speedy identification and disposal of properties suitable for clearly identifiable usage, for example, factory building or agricultural use.		This proposal has been included under the Land Policy.

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
7. To provide incentives similar to EIEA to sugar mills in respect of electricity generation from steam.	To encourage co-generation of electricity	- Ministry Public Utilities - CPC - MIIC - Ministry of Agriculture	Co-generation activities being encouraged by Ministry of Public Utilities and Transport. The Ministry to issue drafting instructions to CPC to effect decision in respect of sugar mills.
8. Exclusion from import duty and GCT of the following: - Capital goods used in construction of pyrolytic furnaces (for processing carbonaceous waste into charcoal). - Capital goods used in construction and installation of solar water heaters and other devices using solar energy.	To encourage investment in the areas stated and in particular for energy conservation.	- NRCA - MPUT	The removal of non-competing capital goods from import duty should assist in this regard. Order providing for exemption from GCT being prepared by CPC. Items already exempt from GCT and currently a 5% CET being applied. Drafting instructions issued to CPC to provide for relief of import duties under the Customs Tariff.
9a. Duty exemption for equipment used in connection with approved research and development activities.	To encourage research and development and to give impetus to science and technology policy.	- SRC - NCST	Removal of Customs duties on non-competing capital inputs should assist. Instructions also issued to CPC by Ministry of Finance to allow Customs to give duty free treatment for items. A proposal for NCST to act as certifying body to assist Customs in the determination of items is to be considered at the next meeting of the NCST.

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
9b. Income tax exemption for research and development expenditure			Already in place.
10. Duty exemption/income tax relief for projects promoting environmental concerns	To encourage investments in appropriate and environment friendly technology	- NRCA } - MF } - SRC } - NCST }	Drafting instructions issued by Ministry of Finance to CPC to provide for approved projects and for Customs to allow duty free treatments of items for use in such projects. NRCA has agreed to act as the certifying body to assist Customs in this regard.
11. Incentives such as differential interest rates for agro processing enterprises that are integrated with primary agriculture	To encourage backward and forward linkages between manufacturing and agriculture. Qualifying criteria would include substantial transformation of the raw material; being a part of an agricultural research programme and utilizing land allocated under the Land Divestment Programme.	- Commercial & Development Banks - RADA - MOA	Differential interest rates now in place. Ministry of Agriculture to advise on other incentives.

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
12. Expansion of training activities by HEART/NTA in the area of information processing islandwide	Intended to address the shortage of trained workers in the sector which is now a major constraint to the expansion of the sector.		Being addressed by both short and long term measures: Training taking place in 60 secondary schools islandwide in partnership with Jamaica Computer Society Education Foundation Jamaica 2000 Project; IDB continues to fund training in primary schools: Now on a pilot basis in 20 primary schools. Also in partnership with JCSEF EDTECH 2020 programme; HEART is training workers to address shortage at the Digiport: Informatics Training Centre opened; Discussions continue to take place with HEART, EXED and Jamaica Computer Society regarding training of programmers.
13. Income Tax exemption on urban renewable development bonds issued to the private sector.	The restoration of derelict and blighted urban areas. To mobilize funding for specific projects to restore buildings, to construct new commercial and industrial space and for housing accommodation.	- JAMPRO - MIIC - CPC	This programme has been launched.
14. Amendment to EIEA to include the export of services.	To promote investments in the services in particular information processing, music, film, etc.	- MIIC - JAMPRO - Ministry of Tourism	Services of consultant retained to assist in drafting of amending Bill. First draft of Bill has now been prepared and is now being reviewed.

DECISIONS/ACTIONS	OBJECTIVE	RESPONSIBLE AGENCY/MINISTRY	STATUS/COMMENTS AND FOLLOW UP ACTIVITIES
15. Development of an incentive regime for tourist attractions	To encourage the development of new attractions and the upgrading of existing ones, which will result in increased earnings from tourism and improving Jamaica's competitiveness as a tourist destination.		Cabinet Submission outlining proposed incentive regime for attractions with Ministry of Finance for comments.

APPENDIX II

BUDGET 1996/97

NATIONAL INDUSTRIAL POLICY

1) COLLATERAL MATERIAL FOR NATIONAL INDUSTRIAL POLICY

i) Reprint of books (5,000 copies @ \$500 each)	2,500,000
ii) Press Conferences, Presentations	300,000
iii) Simplified Version	<u>2,000,000</u>
SUB TOTAL	4,800,000

2) PUBLIC FORA ISLANDWIDE (14 LOCATIONS)

i) Rental of venue for Fora	160,000
ii) Printed materials, recording, transcription and production services	300,000
iii) Transportation, accommodation and subsistence	250,000
iv) Coverage of events (to include press advisories, captioned photographs and press releases)	60,000
v) Media advertisements (print and electronic)	1,000,000
vi) Caterers	<u>100,000</u>
SUB TOTAL	1,870,000

3) PUBLIC EDUCATION PROGRAMME

i) Production of articles to be serialized in the press as highlights of an appropriate Industrial Policy	1,000,000
ii) Production and transmission of 5 minute radio feature (update on the search for an appropriate Industrial Policy)	1,000,000
iii) Media Relations - press luncheons, news briefings, press kits and related services	1,500,000
iv) Sectoral private and public sector collaboration	500,000

v) Collating and production of briefs and drafts of issue emerging from discussions	300,000
vi) PR firm for three months, including costs of TV, radio and press advertisements and articles	7,580,000
vii) Miscellaneous expenses (telephone contacts, logistical support and contingencies)	<u>150,000</u>
SUB TOTAL	<u>12,030,000</u>
GRAND TOTAL	<u>18,700,000</u>

- * This budget incorporates making the National Industrial Policy document available to a wider cross section of the public, as well as all Ministries, Agencies and Departments, and expansion of the Public Awareness Programme and Public Education Programme.

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DEVELOPMENT COUNCIL MEETING 1996 NOVEMBER 20

**Report on Water Supply to Greater Portmore
Braeton and Hellshire bay**

**1. STATUS OF CURRENT WATER SUPPLY TO GREATER PORTMORE, BRAETON
AND HELLSHIRE BAY**

Water to the above areas is currently supplied by three main arrangements:-

- (i) Three newly commissioned wells in the Bernard Lodge area - Cookson, Government Park No. 1 and Government Park No. 2 with a total capacity of 4.0 million gallons per day from which water is pumped through a new 16 inch transmission main to a 2.0 million gallon reservoir on the hill overlooking the Greater Portmore Housing Scheme.*
- (ii) Two wells at Lime Tree and Half Way Tree with a combined capacity of 1.0 million gallons per day from which water is pumped through a reconditioned 14-inch transmission main into the above 16 inch pipeline.*
- (iii) An existing booster pumping station at Braeton which is used to pump water from the old Portmore Water Supply to Hellshire Bay.*

Usual operation pressures in the Greater Portmore Housing Project are about 30 - 40 pounds per square inch (psi). These pressures are adequate for the housing area but higher pressures are required to provide service to Hellshire Bay, most of which is at elevations higher than the housing area.

Due to the foregoing situation NWC has been obliged to institute special arrangements to ensure periodic supplies to Hellshire Bay. To achieve this objective the main valves on the connecting pipelines from the 16-inch transmission main to the Greater Portmore Housing Project and Braeton have to be closed, at least partially, while water is being pumped through the booster station to Hellshire Bay.

The above exercise is carried out at nights during the hours 9 pm - 4 am and usually results in very low pressures in the Greater Portmore Housing Scheme and Braeton.

It is this intermittent supply which is to be corrected with the aim of providing an adequate 24 hour supply to all three areas.

2. **PRESENT OPERATIONAL PROBLEMS**

The shortage of water being experienced now in the Greater Portmore and Braeton areas result mainly from problems at the Cookson Well (10 million gallons per day) and Government Park No.1 Well (1.5 million gallons per day) which have resulted in these two wells being taken out of service.

3. **ESTIMATED DEMAND**

Using a per capita demand of 70 gallons per day and estimates of population to be served in all three areas the overall demand is expected to increase from the 1995 figure of 4.5 million gallons per day to some 7 millions per day by the year 2000.

4. **PROPOSED SOLUTIONS**

The proposals outlined below have two primary objectives:-

- (i) to ensure adequate sources of supply to the area*
- (ii) to provide an adequate 24-hour service to the three areas.*

4.1 **Short Term Proposals**

- (a) Action is being taken to restore the two wells - Cookson and Government Park No. 1 to service by the end of December 1996.*
- (b) In order to ensure that National Irrigation Commission (NIC) can meet its obligations to farmers, the output from Government Park No. 1 Well will be shared by NIC and NWC and NIC will take over the Half Way Tree Well.*

NWC will take over and equip the well at Congreve Park (capacity 1.0 mgd) and connect this to the water supply system.

This is scheduled for the end of March 1996.

- (c) In order to supply the Hellshire Heights Phase II Housing Scheme a contract has been awarded to construct a 50,000 gallon water storage tank for this housing development. This is scheduled for completion by the end of February 1997.*
- (d) Leak detection exercise are currently being conducted and repairs effected to reduce losses due to leakage on the distribution systems.*

- (e) *Pressure reducing valves are to be installed on the connections to the Greater Portmore Housing Scheme and Braeton so that:*
 - (i) *the pressures can be maintained in the 16-inch transmission main to satisfy the pressure requirements of Hellshire Bay and provide that area with a 24-hour service*
 - (ii) *the pressures in Greater Portmore Housing Scheme and Braeton will be maintained at 30 - 40 psi which should facilitate water consumption at a satisfactory level.*
 - (iii) *the 2 million gallon reservoir will function effectively as storage for the area.*

4.2 Long Term Proposals

- (a) *The increase in demand beyond the capacity of the existing sources supplying the area are to be met by the expansion of supply through the proposed KMA Water Supply Project. Water would then pass through an interconnection from the old Portmore system to augment the supply to Greater Portmore, Braeton and Hellshire Bay.*
- (b) *Construction of a one million gallons reservoir at Hellshire Bay.*

5. **CURRENT COST OF SHORT TERM PROPOSALS**

- | | | |
|-----|--|--------------------|
| (a) | <i>Equip and Connect Congreve Park Well to the 16 inch Transmission Main</i> | <i>\$7,200,000</i> |
| (b) | <i>Purchase and install flow meters</i> | <i>\$ 900,000</i> |
| (c) | <i>Purchase and install Pressure Reducing Valves on branch lines to Greater Portmore and Braeton</i> | <i>1,100,000</i> |

(d)	<i>Purchase and install Rate of Flow Controller Valves at Cookson, Congreve Park and Government Park No. 1 Wells</i>	900,000
(e)	<i>Purchase and Install Booster Pump for NIC at Government Park No. 1 Well</i>	900,000
(f)	<i>Engineering and Supervision</i>	800,000
		11,800,000
	<i>Contingencies (10%)</i>	<u>\$ 1,200,000</u>
	TOTAL	\$13,000,000

**DEVELOPMENT COUNCIL MEETING
1996 NOVEMBER 20**

National Water Commission Co-ordination with the Ministry of Local Government and Works in execution of its work on roads.

(a) National Water Commission Vice President, E.G. Hunter is responsible for the coordination of the capital projects being undertaken by the Commission with funds provided from the budget. He assumed this responsibility in mid August of this year.

(b) The National Water Commission acknowledges the need for close collaboration with the Ministry of Local Government and Works in the area of road way excavation and their subsequent repair.

The methodology for achieving the desired level of co-ordination is outlined below:

Category (1) Excavation for New Works

New Works are generally financed from the budget and accordingly work areas are known well ahead of time. For such works, the National Water Commission will submit to the Ministry of Local Government and Works a copy of its approved projects along with a schedule for implementation.

This will become standard operating procedure as at the start of the new financial year. In addition, NWC will provide similar information to the Ministry in respect of works being currently undertaken under this year's budget. This will be done by the end of November 1996.

Category (2) Excavation for Service for Service Connection and Mains Repairs

The ad-hoc nature of this type of work makes pre planning significantly more difficult than for the previous category.

Accordingly, the Commission is to formalise an agreement with the Ministry of Local Government and Works whereby the Ministry will be contracted to carry out road reinstatement on behalf of the Commission.

A draft agreement has already been prepared and is now under discussion.

AGRICULTURAL CREDIT BANK OF JAMAICA LIMITED**REPORT TO DEVELOPMENT COUNCIL
LENDING ACTIVITIES AND REPORT ON PROGRAMMES
APRIL - OCTOBER, 1996****1.0 LOAN APPROVALS**

During the first seven (7) months of the 1996/97 financial year the AC Bank has approved a total of **817 local currency loans valued at J\$179.7 million** and **six (6) foreign currency loans valued at US\$1.8 million**. A total of 798 approvals valued at \$147.4 million were made to P.C. Banks with the remaining 19 local currency loans totalling J\$32.3 million and the 6 US dollar loans going to Approved Financial Institutions (AFIs). Details of these approvals on a monthly basis are provided at Annexes 1 and 2.

The preceding represents an overall improvement in lending performance relative to the Y-T-D- 1995/96 situation since it should be noted that 600 local currency loans totalling J\$136 million and 10 foreign currency loans valued at US\$3.8 million were approved during the corresponding period of the 1995/96 financial year.

A sub-sector breakdown of the 25 AFI loans approved since April, is shown at Annexes 3A and 3B. As indicated, approximately 68% of the Jamaican dollar loans and all the foreign currency loans relate to export-oriented enterprises such as coffee, sugar cane, papaya, banana and citrus.

2.0 LOAN DISBURSEMENTS

A total of **J\$185 million and US\$1.620 million has been disbursed** over the past seven months, broken down as follows:-

<u>Month</u>	<u>J\$ ('000)</u>	<u>US (\$'000)</u>
April	29,331	222
May	17,833	500
June	22,397	284
July	26,400	30
August	30,710	352
September	32,729	56
October	<u>25,665</u>	<u>176</u>
Total	<u>185,065</u>	<u>1,620</u>

This level of disbursement compares favourably with the corresponding 7-month period of 1995/96 when approximately J\$132 million and US\$0.723 million were disbursed.

3.0 **SPECIFIC PROGRAMMES**

3.01 **HILLSIDE FARMERS SUPPORT PROJECT (HFSP)**

Between April and October 1996, P.C. Banks approved 301 loans valued at \$34.1 million for coffee production by small farmers under this project. Disbursements totalled \$8.9 million during the same period.

Total acreage established over the past seven (7) months amounted to 203.48 acres with 52.6 acres being established in October alone, the highest level recorded in any single month during the six-year life of the HFSP.

The micro-enterprise component of the project has not been very successful, with approvals by P.C. Banks commencing in April, 1996. As at October 31, 1996 46 loans valued at \$3.6 million were approved for non-agricultural purposes.

3.02 **RURAL FINANCIAL SERVICES PROJECT (RFSP)**

During the early months of the financial year, the focus under the RFSP was on the amalgamation of P.C. Banks and training of staff within the project area to facilitate credit delivery, which commenced in July.

As at October 31, 1996 P.C. Banks participating in the project have approved agricultural loans totalling \$3.992 million and \$0.872 million for micro-enterprises.

3.03 **INTEGRATED PEOPLE'S COOPERATIVE BANKS NETWORK PROGRAMME (IPCBN)**

Implementation activities intensified during this financial year with the completion of the formal amalgamation of approximately 106 P.C. Banks islandwide to form eighteen (18) clusters or networks. Other highlights of the IPCBN programme are as follows:-

- Sixteen (16) of the required eighteen (18) professional Managers, seventeen (17) of eighteen (18) Accountants and twenty (20) of twenty-one (21) Credit Officers have been appointed, thus improving the calibre of staff in the P.C. Banks.

- The Management and Accounting Systems of the P.C. Banks are being strengthened, with 14 clusters now having centralised accounting systems and the “Micro Banker” Loan Administration Software now being installed in the Banks.
- The Savings Mobilization component of the programme has accelerated, with the P.C. Bank Savings pool doubling over the past six months to reach \$34 million at the end of October.
- Intensification of training exercises in various subject areas for P.C. Bank Staff and Committee Members.
- Improvement in salaries/compensation packages of P.C. Bank staff to match the new organizational structure.
- Introduction of new P.C. Bank products/services such as the Western Union Money Transfer Service.
- Reconstruction or refurbishing of a number of P.C. Bank buildings.

1996 NOVEMBER 26

AGRICULTURAL CREDIT BANK OF JAMAICA LIMITEDGROSS J\$ LOAN APPROVALS - FISCAL YEAR 1996/97

MONTH	P. C. BANKS		APPROVED FINANCIAL INSTITUTIONS		TOTAL	
	No.	Amount (\$'000)	No.	Amount (\$'000)	No.	Amount (\$'000)
APRIL, 1996	108	20,740	3	8,045	111	28,785
MAY	61	10,412	2	6,500	63	16,912
JUNE	109	17,596	2	1,700	111	19,296
JULY	96	14,345	3	4,300*	99	18,645
AUGUST	136	26,383	1	1,401	137	27,784
SEPTEMBER	140	32,828	3	5,260	143	38,088
OCTOBER	148	25,060	5	5,115	153	30,175
NOVEMBER						
DECEMBER						
JANUARY, 1997						
FEBRUARY						
MARCH						
TOTAL 1996/97	798	147,364	19	32,321	817	179,685

[* Excludes 1 loan originally approved for J\$6.4M and converted to US dollars]

AGRICULTURAL CREDIT BANK OF JAMAICA LIMITED
GROSS US\$ LOAN APPROVALS -FISCAL YEAR 1996/97

MONTH	APPROVED FINANCIAL INSTITUTIONS	
	No.	Amount (\$'000)
APRIL, 1996	1	180
MAY	2	1,125
JUNE	1	75
JULY	1	175*
AUGUST	-	-
SEPTEMBER	-	-
OCTOBER	1	250
NOVEMBER	-	
DECEMBER		
JANUARY, 1997		
FEBRUARY		
MARCH		
TOTAL 1996/97	6	1,805

* Converted from a J\$ loan which was approved in July for \$6.4M

MONTHLY STATEMENT TO MARCH, 1997

JS LOANS

SUB - SECTOR	IAPRIL	MAY	JUNE	JULY	AUGUST	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	TOTAL YEAR TO DATE
EXPORT CROPS						0							
Banana				0 2,000,000		0							2,000,000
Cocoa													0
Coffee	850,000	2,000,000	900,000	2,300,000		2,700,000		0					8,750,000
Citrus								0					0
Horticulture					0			0					0
Mango								0					0
Papaya (paw paw)						2,560,000							2,560,000
Sugar cane	0 4,500,000								0		0		4,500,000
Tobacco						0							0
Mixed Crops*								0				0	0
SUB - TOTAL	850,000	6,500,000	900,000	4,300,000		0 5,260,000		0	0	0 *	0 *	0 *	0 * 17,810,000
DOMESTIC CROPS													
Apiculture													0
Coconut												0	0
Tree crops (misc.)**	0											0	0
Other crops (Vegetables)***	0				0					0			0
SUB - TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0
LIVESTOCK													
Cattle													
-beef			0		0		0	0	0				0
- dairy					0		0	0	0		0		0
Small stock								0	0				
- goats		0						0	0				0
- pigs	3,195,640						0	0				0	3,195,640
Poultry								0					
- broilers	4,000,000		800,000		0 11,401,000		0	0				0	6,201,000
- layers				0		0	0	0					0
Fishing								0					
- deep sea					0			0					0
- inland (aquaculture)		0						0					0
SUB - TOTAL	7,195,640	0	800,000		0 11,401,000		0	0	0	0	0	0	9,396,640
AGRO-PROCESSING	0												
Canning-ackees, callaloo	0						0						0
Dairy - milk proc.	0												0
Agro-Industry	0	0					0	0				0	0
SUB - TOTAL	0 *	0					0	0	0	0	0	0	0
AGRI. EQUIPMENT	0								0				0
AGRI-BUSINESS													0
SUB-TOTAL	0	0	0	0	0	0	0	0 *	0	0	0	0	0
GRAND TOTAL	8,045,640	6,500,000	1,700,000	4,300,000	*1,401,000	* 5,260,000 *		0 *	0 *	0 *	0 *	0 *	0 * 27,206,640

[illegible]

NATIONAL INVESTMENT BANK OF JAMAICA

JS1.0B Development Bond

Equity Investments

Status as at 30 September 1996

1. Subscribed to date \$425.5M
2. Received to date \$412.9M
3. Disbursed to date:
- | | | |
|------------------------|----------|------------------------|
| NDB | \$ 60.0M | |
| Pragma | 4.0M | |
| Fellowship Aquaculture | \$ 2.0M | |
| Mt. Pleasant Estates | \$ 10.0M | \$ 76.0M |
| Net Balance | | <u>\$336.9M</u> |

4. Committed to projects:

Project	Expected Disbursement	Amount
		\$
a) Clarendon Lime	Nov '96	22.4M
b) Surrey Hatcheries	Nov '96	3.2M
c) Mahoe Beach	Oct '96	64.0M
d) Kgn. Crowne Plaza	50% Oct 50% Nov '96	100.0M
e) Mt. Pleasant Est. (Bal.)	Nov '96	10.0M
f) Kokoya Group	Nov '96	5.0M
g) Nautilus Submercibles	Oct/Nov '96	16.0M
h) Ja. Edible Oils & Fats	Nov '96	18.0M
i) Canco Ltd.	Oct '96	6.8M
j) Debt Restructuring	Oct/Nov '96	49.2M
k) Grizzly's		13.0M
l) IMP		8.8M
Net available		<u>20.5M</u>

5. Pipeline:

Sector	No. of Projects	J\$ Amount
Agriculture	5	29.4M
Manufacturing	3	40.6M
Mining	1	5.0M
Tourism	3	47.2M
Entertainment	2	83.6M
	<u>14</u>	<u>205.8M</u>

N.B: There is likely to be an attrition of approximately \$50M of the \$205.8M noted above.

NATIONAL INVESTMENT BANK OF JAMAICA

US\$50.0 M Bond Equity Investment Status as at 30 September 1996

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>\$2.3</u>	\$ 7.3M
5. Committed to projects:

Project	Expected Disbursements	Amount
		\$
a) Hedonism Runaway Bay*	1/97 (first)	7.0M
b) Drax Hall (Marriott)	1/97 (first)	6.0M
c) Braco Pebbles	10/96	0.7M
d) Seawind Resort*	11/96 (first)	10.0M
e) Couples Negril	3/97 (first)	<u>4.0M</u> <u>\$27.7M</u>

6. Pipeline:

- | | | |
|--|----------|----------------|
| a) Friends Group -Llandoverly Beach* ❖ | \$ 12.0M | |
| b) UDC/Fidelity -Fairy Hill* ♣ | 6.0M | |
| c) Ciboney- Culloden Whitehouse ❖ | 6.0M | |
| d) Sandals- Whitehouse* ♣ | \$ 10.0M | |
| e) Swept Away Trelawny ❖ | 5.0M | |
| f) Port Royal Tourism Project ♣ | \$ 1.5M | |
| g) Mamme Bay Hotel ♣ | \$ 5.0M | |
| h) Drax Hall (Hilton) ♣ | \$ 6.0M | <u>\$51.5M</u> |

7. Total potential funding requirement (4+5+6) \$86.5M

* On original proposed list.

❖ Proposal received

♣ Awaiting Proposal

DC 17/96

NATIONAL INVESTMENT BANK OF JAMAICA
PROJECTS ALREADY APPROVED
Funding - JS1.0B Bond Issue

Prepared: 96/11/22

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. to be executed. Disbursement scheduled for Nov 1996
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	*10 000 000	*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 Deadline given -Dec'96. Production has not begun
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. Opening scheduled for the end of 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.	4 850 000	Oct-96	--	No preconditions met. This project has not started.
Sub-Total JS			288 060 000		24 770 000	

DC18/96

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

Prepared: 96/11/22

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 currently 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. NIBJ is being requested to capitalize interest due Feb. 1997 (i.e. \$4.6M) . This proposal is being reviewed.
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 1	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 J\$			<u>167 943 190</u>		<u>147 943 190</u>	

DC 19/96

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

Prepared: 96/11/22

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) 280 000 000	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) 240 000 000	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) 120 000 000	Mar-96	(US\$ 3.0M) 120 000 000	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) 160 000 000	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) 400 000 000	Apr-96	--	Construction was scheduled to have started the second quarter of 1996/97 fiscal year. Status of project requested but not yet received.
			(US\$30.0M)		(US\$3.0M)	
* Exchange rate: J\$40: US\$1.00			TOTAL JS		<u>1 200 000 000</u>	<u>120 000 000</u>

DC 28/96

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

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	--	Financing not yet in place. Funds sourced through ACB yet unable to find willing AFI. The company is fully operational.
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	--	Conditions satisfied. Disbursement expected -November '96
5. Tigress Cottages	Tourism	Refinancing of a 45 room hotel in Negril	4 000 000	Oct-96	--	Conditions satisfied. Amendments to be made to Articles of Association to incorporate NIBJ's preference shares. Disbursement expected first week in December 1996.
Debt restructuring Sub-Total			<u>49 200 000</u>			
TOTAL JS			<u>337 260 000</u>		<u>24 770 000</u>	

National Investment Bank Of Jamaica

Project Pipeline - New and Expansion

DC 21/96

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
Sub Total for Agriculture						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
4 27 Nov 96	Reggae Sunsplash International	Entertainment	The company is responsible for promoting a major summer reggae festival. Financing is being sought to relieve the debt burden and to develop the company's show promotion and merchandising activities.	450,000	0	0	Proposal received - to be reviewed.	J\$ 1 billion bond
Sub Total for Entertainment						200,000		
5 4 Sep 96	Beanis Hosiery Manufacturing	Manufacturing	The establishment of a free zone hosiery manufacturing operation for export to the United Kingdom.	0	2,845,000	250,000	Proposal received - to be reviewed	J\$ 1 billion bond
6 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
Sub Total for Manufacturing						383,500		
7 16 Nov 95	K & B Enterprise	Mining	The mining and cutting of marble and the	0	164,000	164,000	Proposal updated -	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			
			production of crushed limestone aggregate and marble blocks.				awaiting feasibility study & more info	
8 8 Nov 96	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.	0	9,000,000	250,000	proposal received - under review	
			<i>Sub Total for Mining</i>			414,000		
9 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	
10 30 Jan 96	Port Royal Development	Tourism	The development of Port Royal into an attractive, vibrant historical port of call and historical tourist destination.	11,000,000	11,000,000	1,100,000	Awaiting updated proposal - J\$4M advanced to date	J\$ 1 billion bond
11 20 Mar 96	Fairy Hill	Tourism	UDC and Fidelity Merchant Bank - construction of a hotel in Port Antonia . (This project is part of the list which formed 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
12 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	5,000,000	Proposal recieved - awaiting additional information	J\$ 1 billion bond
13 15 Feb 96	Whitehall Estate Greathouse	Tourism	Development of a centre for cultural tourism in St. Mary. It will be promoted as an eco-tourism destination.	0	1,500,000	1,500,000	Proposal received - under review	J\$ 1 billion bond
14 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
15 10 Mar 96	Llandoverly Beach Hotel	Tourism	The Friends Group Ltd. is proposing the 250-room hotel and villa development in Runaway Bay, St. Ann. The first phase	0	38,450,000	12,000,000	Summary received- awaiting proposal. (on list re: US\$50M)	US\$ 50 million bon

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			
			involves the development of 51 villa lots and the second the construction of a 250-room 'all-inclusive' resort.					
16 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
17 10 Jul 96	Swept Away - Trelawny	Tourism	The construction of a 227-room all-inclusive hotel on 37 acres of land in Duncans Bay, Trelawny.	0	45,000,000	5,000,000	Proposal received - to be reviewed	J\$ 1 billion bond
18 8 Jul 96	Port Royal Underwater Museum	Tourism	The development of a state of the art underwater museum complex 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
19 17 Jul 96	Angel Bay Resort	Tourism	Phase I entails the construction of the Greatouse which offers 14 guest rooms and central facilities. Phase II, to be developed in year 6 entails the construction of 70 additional rooms and an expanded office administration.	0	1,329,000	285,000	Proposal received - to be reviewed	J\$ 1 billion bond
20 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.	
21 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 required for the expansion, marketing and advertising, and for working capial.	0	5,000,000	5,000,000	Proposal received - to be reviewed.	
Sub Total for Tourism						62,905,000		
				Total US\$ Investment		\$64,334,875		

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			
				Total J\$ Investment		\$0		
				<u>Grand Total (US\$)</u>		\$64,334,875		

UWI Libraries

DC 22/96

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

Prepared: 96/11/22

Company Name

Industry/
Sector

Description

Funding
ApprovedDate
ApprovedAmount
Disbursed

Status

1. Infochannel

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 7 139 1237 139 123

DC 9/96

NATIONAL INVESTMENT BANK OF JAMAICA PROJECTS ALREADY APPROVED

Prepared: 96-11-12

Title	Industry/ Sector	Description	Funding Approved	Date Approved	Type of NIBJ financing	Currency	Amount Disbursed	Directors	Banking Institution
1 Westban	Agriculture	The project involves revitalizing the banana industry in Western Jamaica thru :-establishment of 1200 hectares of export quality banana, provision of extension service and coordination of the sale of export fruits.	12 000 000	Mar-93	Preference and Ordinary shares	J\$	12 000 000	Lenworth Smith and Tina Beckford	
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	Convertible debentures	J\$	23 000 000	Lloyd Pinnock	
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	Advance	J\$	20 000 000		
4 Fellowship Hall Development Complex	Manufacturing	The construction of factory and commercial space and a housing complex at Corletts Road in St. Catherine	20 000 000	Jul-95	Ordinary shares	J\$	10 000 000	LeRoy Phoenix and Tina Beckford	
5 InfoChannel	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	Preference and Ordinary shares	J\$	7 139 123	Lloyd Pinnock / Tina Beckford (Alternate)	
6 Real Resorts (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	Apr-95	Preference shares	J\$	72 743 190	Nathan Richards	
7 Pragma (Port Royal)	Tourism	Feasibility study for the development of Port Royal	4 000 000	Feb-96	Preference shares	J\$	4 000 000	Lloyd Pinnock	
8 HEDONISM Runaway Bay	Tourism	An 'all-inclusive' hotel with 225 rooms to be marketed as a 'fun' resort catering to middle & upper end couples & singles.	280 000 000	Feb-96	Preference shares	US\$			
9 Clarendon Lime Co. Ltd. Phase II	Non metallic Minerals	The installation and commissioning of a Lime plant.	22 400 000	Feb-96	Ordinary shares	J\$		Lloyd Pinnock & Jennifer Simpson-James/ Basil Sutherland & Tina Beckford (Alternates)	
Phase I	" "	The installation and commissioning of a Lime Crushing	10 200 000	Jul-95	Ordinary shares	J\$	10 200 000	as above	

Title	Industry/ Sector	Description	Funding Approved	Date Approved	Type of NIBJ financing	Currency	Amount Disbursed	Directors	Banking Institution
		plant and quarrying facilities at Woodside in Clarendon.							
10 Drax Hall Hotel & Golf Club	Tourism	The development of 180 villa lots, villas, 15 condo sites, a 27-hole golf course, a 100 slip marina & village and a 280-room beachfront hotel on 800 acres of land in St. Ann	240 000 000	Mar-96	Preference shares	US\$			
11 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 family resort.	120 000 000	Mar-96	Convertible debenture and Ordinary Shares	US\$	92 000 000	Lloyd Pinnock	
12 Surrey Hatcheries & Farm Ltd.	Agri-business	Conversion of an existing fish farm in Portland into a tropical exotic fish farm for export to US.	3 240 000	Apr-96	Preference shares	J\$		Dudley Sackaloo/ Nancy Sampson (Alternate)	
13 Fellowship Aquaculture Ltd.	Agriculture	Refinancing of a 87 acre fish farm in St. Catherine so that production of fingerlings and food fish can recommence.	2 000 000	Apr-96	Convertible debenture	J\$	2 000 000	Wayne Blake / Nancy Sampson (Alternate)	
14 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 1000 feet of beach frontage.	160 000 000	Apr-96	Convertible debenture	US\$		Lloyd Pinnock / Tina Beckford (Alternate)	
15 Mahoe Beach Village Resort	Tourism	Refinancing of a beach park facility in Montego Bay.	64 000 000	Apr-96	Preference shares	US\$		Mignon Manderson-Jones/ Patrick Thelwell (Alternate)	
16 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.	400 000 000	Apr-96	Preference shares and/ or Convertible debenture	US\$			
17 Mount Pleasant Estates	Agro-Tourism	The project has two components, 1) vertically integrated coffee production; and 2) the development of a cultural/ ecotourism product and is located on 143 acres in Balcarres, Portland. The funds will be used to expand and diversify the farm as well as refinance a portion of high interest debt.	20 000 000	May-96	Preference shares	J\$	10 000 000	Tina Beckford / Dudley Sackaloo (Alternate)	
18 Kokoya Group	Manufacturing	The manufacturing of garments for the professional	5 000 000	May-96	Preference shares	J\$		Claudette Lawrence /	

Title	Industry/ Sector	Description	Funding Approved	Date Approved	Type of NIBJ financing	Currency	Amount Disbursed	Directors	Banking Institution
		woman in the European marketplace, utilizing state of the art production facilities in the Kingston Freezone.						Nancy Sampson (Alternate)	
19 Kingston Crowne Plaza	Tourism	Construction of a 138-room hotel complex by the Crown Eagle Life Insurance Company 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-96	Convertible Debenture	J\$			
20 Jamaica Edible Oils & Fats	Manufacturing	Establishment of an oil refinery utilizing crude palm oil from Latin America.	18 000 000	Jul-96	Preference shares	J\$		LeRoy Phoenix / Horace Fisher (Alternate)	
21 Nautilus & Submersibles Ltd.	Tourism	Development of a underwater tour using a 46 seater submarine in the Ocho Rios marine park.	16 000 000	Jul-96	Preference shares	J\$		Portia Nicholson-Clarke / Patrick Thelwell (Alternate)	
22 Canco Ltd.	Agri-business	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	Jul-96	Preference shares	J\$		Lenworth Smith / Patrick Thelwell (Alternate)	
23 Grizzely's Entertainment Limited	Entertainment	The development of 2 integrated Entertainment park complexes in Negril & Priory, St. Ann. Facilities include an auditorium, disco, cinema, studio music theme park museum & merchandising facilities.	13 000 000	Sep-96	Preference shares	J\$			
24 International Magnetic Prods	Manufacturing	Financing for the expansion of an existing company to purchase equipment and working capital. The company assembles transformers, inductors & coils for Far Eastern & US suppliers.	8 770 000	Sep-96	Preference shares	J\$	8 770 000	Erwin Jones and Basil Sutherland	
25 Thermoplastics Ja. Ltd. Guarantee	Manufacturing	Board approval of US\$500 000 guarantee	17 500 000	Sep-96					
26 Highgate Foods Ltd. Guarantee	Manufacturing	Board approval of US\$ guarantee	21 000 000	Jul-96					
27 Coffee Industries Ltd.	Agri-business	Expansion of existing processing facilities by the purchase of equipment & working capital.	4 850 000	Oct-96		J\$			
28 Jamaica Livestock Assn.	Agri-business	Underwriting of rights issue by NIBJ	7 500 000	Oct-96					

Title	Industry/ Sector	Description	Funding Approved	Date Approved	Type of NIBJ financing	Currency	Amount Disbursed	Directors	Banking Institution
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Sub-Total 1 709 142 313

271 852 313

**Debt
Restructuring**

1	Century Corporation Ltd.	Manufacturing	Manufacturers of whole milk for local market - refinancing of existing debt required.	20 000 000	Sep-96	Preference shares	J\$		NCB
2	La Mirage Hotel	Tourism	Refinancing of a small hotel in Montego Bay with a room capacity of 22, and restaurant and convention facilities. The hotel is 1 mile from beach on 1 acre of land.	8 000 000	Sep-96	Preference shares	J\$		Citizens Bank
3	Casa de Paradise	Tourism	Refinancing of a 24-room hotel in Montego Bay. Additional financing is also required to complete the hotel	10 200 000	Sep-96	Preference shares	J\$		ITMB
4	Royal Court Hotel & Health Resort	Tourism	Refinancing of high interest debt of a 25-room hotel located in Montego Bay.	7 000 000	Sep-96	Preference shares	J\$		NCB
5	Tigress Cottages	Tourism	Refinancing of a 45-room hotel in Negril	4 000 000	Oct-96	Preference shares	J\$		BNS

Debt Restructuring Sub-Total 49 200 000

TOTAL J\$ 1 758 342 313

0

271 852 313

Note:- Total US\$ commitment in US\$ = US\$30 000 000
Total US\$ commitment in J\$ = J\$1 200 000 000
Total J\$ commitment = J\$558 342 313

Total US\$ Disbursed = US\$2 600 000
J\$ equivalent of US disbursed= J\$104 090 000
Total J\$ Disbursed = J\$167 762 313

NATIONAL INVESTMENT BANK OF JAMAICA

Project Pipeline

96-11-12

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (US\$)	Funding Requested from NIBJ (US\$)	Status	Source of NIBJ funding
1 21-Jun-96	Plant Nursery Limited	Agriculture	Restructuring/expansion of existing 5 hectare farm in Irwin, St. James, Cultivates bananas, avocado & other fruits, and a plant nursery.	Loan/Equity	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,	Loan/Equity	3 308 308	354 000	Proposal received - to be reviewed	J\$1 billion bond
3 11-Mar-96	Duck River Farm & Nursery	Agriculture	The expansion of existing facilities and operations for current papaya and coffee production on a farm located in Hopewell, St. Mary, as well as debt refinancing.	Equity	30 000	30 000	New proposal being prepared by promoter	J\$1 billion bond
Agriculture Sub-Total						462 375		
4 12-Aug-96	Pulse- Trafalgar Entertainment Ltd.	Entertainment	The development of property at 38A Trafalgar Road and to operate it as a facility for shows, events and offices.	Equity	2 000 000	200 000	Meeting held with promoter - awaiting proposal	J\$1 billion bond
Entertainment Sub-Total						200 000		
5 16-Nov-95	K & B Enterprises	Mining	The mining & cutting marble & the production of crushed limestone aggregate & marble blocks.	Equity	164 000	164 000	Updated Proposal Awaiting feasibility study and additional information	J\$1 billion bond
6 08-Nov-96	Western Cement Company	Mining	The construction of a lime manufacturing facility on the former Revere Bauxite site in Maggotty, St. Elizabeth for the local and export markets.	Loan/.Equity	9 000 000	250 000	Proposal received - under review	
Mining Sub-Total						414 000		
7 04-Sep-96	Beanis Hosiery Manfg. Co. Ltd.	Manufacturing	The establishment of a free zone hosiery manufacturing operation for export to the United Kingdom.	Equity/Loan	2 845 000	250 000	Proposal resubmitted to Board Oct. '96	J\$1 billion bond
8 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. Associates U.K products which are designed for diesel engines.	Equity/Loan	440550	133500	Summary received - awaiting formal proposal	J\$1 billion bond
Manufacturing Sub-Total						383 500		
9 30-Jan-96	Port Royal Dev.	Tourism	The development of Port Royal into an attractive, vibrant historical port-of call and historical tourism destination	Loan Equity	11 000 000 11 000 000	1 100 000	To receive updated proposal - J\$4M advanced	J\$1 billion bond

96-11-12

	Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (US\$)	Funding Requested from NIBJ (US\$)	Status	Source of NIBJ funding
								to date	
10	20-Mar-96	Fairy Hill	Tourism	UDC & Fidelity Finance Merchant Bank - construction of a hotel in Port Antonio. (This project is part of the list which formed the basis of the US\$50M bond issue)	Equity	12 000 000	6 000 000	Proposal to come (on original list re: US\$50M)	US\$50 million Bond
11	06-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 additional 300 rooms.	Equity	18 100 000	5 000 000	Proposal received awaiting additional information	J\$1 billion bond
12	15-Feb-96	Whitehall Estate Greathouse	Tourism	Development of a centre for cultural tourism in St. Mary. It will be promoted as an eco-tourism destination.	Loan/Equity	1 500 000	1 500 000	Proposal received, under review	J\$1 billion bond
13	20-Mar-96	Sandals Whitehouse	Tourism	Development of a 273-room all-inclusive hotel in Whitehouse, Westmoreland	Equity	42 000 000	10 000 000	Proposal to come (on original list re: US\$50M)	US\$50 million Bond
14	10-Mar-96	Llandoverly Beach Hotel	Tourism	The Friends Group Ltd. are proposing the 250-room hotel & villa development in Runaway Bay, St. Ann. The first phase involves the development of 51 villa lots and the second phase is a 250-room 'all-inclusive' resort.	Equity/Debt	38 450 000	12 000 000	Project summary received - proposal to come (on original list re: US\$50M)	US\$50 million bond
15	21-Jun-96	Orange Valley Resort & 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.	Equity/Loan	3 500 000	700 000	Letter of interest sent, project document to be submitted	J\$1 billion bond
16	08-Jul-96	Port Royal Underwater Museum	Tourism	The development of a state of the art underwater museum complex on the seafloor of the sunken city of Port Royal	Equity/Debt	9 100 000	1 820 000	Proposal received - to be reviewed	J\$1 billion bond
17	10-Jul-96	Swept Away - Trelawny	Tourism	The construction of a 227 room all-inclusive hotel on 37 acres of land in Duncan's Bay Trelawny.	Equity/Debt	45 000 000	5 000 000	Proposal received - to Board Oct. '96	J\$1 billion bond
18	17-Jul-96	Angel Bay Resort	Tourism	Phase I entails the construction of the Great House which will offer 14 Guest rooms and central facilities. (Phase II, to be developed n year 6 entails the construction of 70 additional rooms and an expanded office administration.)	Equity/Debt	1 329 000	285 000	Proposal received- to Board Oct. '96	J\$1 billion bond
19	24-Oct-96	Vista Ambassador Resorts Spa	Tourism	Expansion , renovation and up-grading of a 40-room hotel in Montego Bay (presently known as Lifestyle Resorts) Equity financing is required for the expansion, marketing and advertising, and for working capital.	Equity/Debt		5 000 000	Proposal received - to be reviewed.	
20	25-Oct-96	Sea Splash Plantation Ltd.	Tourism	Th construction of a 208 suite resort facility located on 11 1/2 acres of beach front property in Bloody Bay, Negril.	Equity/Debt	30 000 000	7 500 000	Proposal received - to be reviewed.	

96-11-12

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (US\$)	Funding Requested from NIBJ (US\$)	Status	Source of NIBJ funding
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21	17-Jun-96	Mammee Bay Hotel Project	Tourism	Development of a 210-room hotel in Mammee Bay on 7.5 acres of beachfront property	Equity/Loan	29 252 242	7 000 000	Proposal received- 1-Nov-96 to be reviewed
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Tourism Sub-Total 62 905 000

Grand Total 64 364 875

UWI Libraries

DC 11/96

NATIONAL INVESTMENT BANK OF JAMAICA
Project Pipeline
PROJECTS FOR DEBT RESTRUCTURING

Prepared: 96-11-12

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (J\$)	Funding Estimated from NIBJ (J\$)	Status	Banking Institution
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 flavoured drinks for the local market. Refinancing sought.	Equity	130 000 000	20 000 000	Awaiting application - deferred re: CNB	CNB
2 25-Jun-96	Ferris Farmwork Ltd.	Agriculture	Refinancing of a dairy farm in paradise Park, Westmoreland.	Equity	19 360 000	11 760 000	Awaiting application	TDB/BNS
3 28-Jun-96	Wilderness Resorts/Lanigan Farms	Agriculture	Refinancing of a fish/cattle farm and entertainment complex in Goshen, St. Ann		33 552 451	10 000 000	Awaiting application	NCB
4 03-Sep-96	Lydford Farms	Agri-business	Refinancing of high interest debt of a cattle farm in St. Ann. Additional financing required to improve and expand facilities, and provide working capital.	Equity	20 000 000	20 000 000	Proposal resubmitted Awaiting application - deferred re: CNB	CNB
5 25-Sep-96	Fort Stewart Farms	Agri-business	St. Mary based farm that produces papaya for export seeks to refinance high interest debt.	Equity	8 000 000	8 000 000	Application received - being reviewed	Citizens
6 26-Sep-96	Osbourne Farms (Ja.) Ltd.	Agriculture	Refinancing of high interest debt of a citrus farm located in St. Mary.	Equity	not specified	not specified	Awaiting application	NCB
7 14-Oct-96	Bybrook Estates Ltd.	Agriculture	Refinancing of high interest debt of coffee farm located in Blue Mountain. Working capital is also being requested.	Equity	20 000 000	20 000 000	Application received - under review	BNS
Agriculture/Agri-business Sub-Total						89 760 000		
8 09-Apr-96	V.G.C. Holdings Ltd.	Manufacturing	Injection of long term debt and equity to restructure, upgrade and modernize the manufacturing activities of V.G.C. Holdings.	Equity Debt	38 000 000	12 000 000	Site visit & meeting awaiting application deferred re CNB	CNB
9 21-Jun-96	Taylor Made Apparel Ltd.	Manufacturing	Refinancing of high interest debt of a contract apparel manufacturing plant in Montego Bay.	Equity Debt	32 000 000	16 000 000	Proposal reviewed - to be resubmitted to Special C'tee Nov. '96	NCB
10 21-Jun-96	Jamaica Soya Products	Manufacturing	Refinancing of existing high interest debt to restore viability	Equity	100 000 000	20 000 000	Awaiting application - on hold - OPM	NCB

	Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (JS)	Funding Estimated from NIBJ (JS)	Status	Banking Institution
11	21-Jun-96	Wilpac Limited	Manufacturing	Refinancing of existing high interest debt of a plastic packaging company and to restore viability.	Equity	35 000 000	17 500 000	Application received - additional info required	Horizon
12	07-Feb-96	Modern Woodcraft Co. Ltd.	Manufacturing	Manufacturers of wooden furniture for both the export and local markets - refinancing of existing debt required.	Equity	4 000 000	2 000 000	Awaiting application	NCB
13	15-Feb-96	Serve-Wel Co. Ltd.	Manufacturing	Manufacturers of metal furniture & appliances for both the export and local markets.	Equity	78 193 817	20 000 000	Awaiting application deferred re: CNB	CNB
14	11-Jul-96	Thermoplastics Ja. Ltd.	Manufacturing	Refinancing of existing debt of a company that manufactures plastic items.		100 000 000	20 000 000	Awaiting application	NCB
15	30-May-96	Pamaco Limited	Manufacturing	Refinancing of high interest debt and expansion and upgrading existing factory facilities for molded concrete and installation material		51 529 320	10 305 864	Summary information received - awaiting application	Citizens Bank
16	19-Aug-96	Level's Restaurant & Pastry	Manufacturing	Refinancing of high interest debt of a bakery.	Equity	not specified	not specified	Letter received - awaiting application	CIBC
17	19-Aug-96	Island Traders Limited	Manufacturing	Manufacturers of fine hand-crafted furniture for local and export markets seeking to refinance high interest debt. Financing is also required to renovate offices and for working capital.	Equity	20 000 000	20 000 000	Awaiting application deferred re: CNB	CNB
18	05-Jul-96	Terry Gillette Bakery Ltd.	Manufacturing	Refinancing of a company in St. Mary that produces bread and other baked products.	Equity	17 000 000	17 000 000	Letter received - awaiting application	Horizon
19	13-Sep-96	Barrett Furniture Co. Ltd.	Manufacturing	Refinancing of high interest debt of a furniture manufacturing establishment to restore viability.	Equity Loan	17 000 000	17 000 000	Awaiting application	NCB
20	03-Sep-96	Speedographic Printers Ltd.	Manufacturing	Manufacturer of printed supplies requesting funds to refinance debt and for working capital.	Equity	10 000 000	10 000 000	Application received awaiting additional info	CIBC
21	27-Sep-96	Sure Manufacturing & Roofing Company Ltd.	Manufacturing	The company's main business is the manufacture of roof sheeting roofing accessories, steel purlins and other metal products. Refinancing of high interest debt being sought.	Equity	14 000 000	14 000 000	Application received - being reviewed	NCB
						Manufacturing Sub-Total	195 805 864		
22	25-Jun-96	Brompton Mountain Farms	Mining	Refinancing of existing debt and upgrading of quarrying	Equity	23 400 000	11 700 000	Application received - awaiting additional info	NCB
						Mining Sub-Total	11 700 000		

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (J\$)	Funding Estimated from NIBJ (J\$)	Status	Banking Institution
23 22-Oct-96	The Wexford Court Hotel Ltd.	Tourism	Refinancing of high interest debt of a 61-room hotel located in Montego Bay.	Equity	8336006	8336006	Application received - to be reviewed	NCB
Tourism Sub-Total						8 336 006		
Total						305 601 870		

SMALL HOTEL SUB-SECTOR

1 06-Jun-96	Little Pub Complex	Tourism	Refinancing of existing debt of the 22-room hotel, restaurant and night club in Ocho Rios.	Equity	44 251 360	10 000 000	To Special C'tee Sept '9 deferred - additional info requested	NCB
2 21-Jun-96	Parkway Restaurant, Hotel & Haberdashery	Tourism	Small hotel, restaurant and retail business in Ocho Rios seeking refinancing	Equity	13 300 000	7 500 000	Meeting held - awaiting application	Horizon/Citizens Banks
3 30-May-96	Caribic Vacations Ltd.	Tourism	Refinancing of a tour operator and destinations management component catering to the Europe and S. America. Also a 18-room hotel in Montego Bay	Equity	12 000 000	6 000 000	Proposal submitted	NCB
4 17-Jun-96	Cardiff Resorts	Tourism	Refinancing of existing debt which was incurred in order to construct a small hotel in St. Ann.		37 000 000	20 000 000	Meeting held - awaiting application	Horizon
5 17-Jun-96	Belvedere Hotel	Tourism	Equity financing required to refurbish hotel, provide working capital and refinance high interest debt. 27-room hotel in Montego Bay.	Equity	24 000 000	9 120 000	Letter received - awaiting application	
6 17-Jun-96	Richmond Hill Hotel	Tourism	Equity financing required to refinance hotel in Montego Bay.		not specified	not specified	Letter submitted awaiting application	
7 15-Jul-96	Cotton Tree Hotel	Tourism	Refinancing of a 35-room hotel in Negril. Additional financing is also required to complete the entertainment area.	Equity	12 000 000	6 000 000	Site visit 14/7/96 and awaiting application	Workers Bank
8 22-Jul-96	Carib Blue Beach Resort	Tourism	Debt Restructuring for a 22-room hotel in Montego Bay	Equity	12 000 000	6 000 000	Site visited, awaiting application	ITMB
9 22-Jul-96	Blue Harbour Hotel	Tourism	Debt Restructuring for a 22-room hotel in Montego Bay	Equity	7 000 000	3 500 000	Special C'mtee Oct, 96 deferred - additional info requested.	Citizens Bank
10 29-Aug-96	Drumville Cove Resort	Tourism	Debt restructuring for a 20-room hotel in Negril	Equity	650 000	650 000	To Special C'tee Sept'96	NCB

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (J\$)	Funding Estimated from NIBJ (J\$)	Status	Banking Institution
							deferred - all conditions not met	
11 29-Aug-96	Flamingo Development Co.	Tourism	Refinancing of high interest debt of a 21-room hotel in St. Mary.	Equity	12 800 000	12 800 000	To Special C'tee Sept'96 deferred - all conditions not met	NCB/EMB
Small Hotel Total						<u>81 570 000</u>		
Grand Total						<u>387 171 870</u>		

NOTE ON DEVELOPMENT FINANCING FOR INVESTMENT

NIBJ and NDB should have obtained an amount of \$1.5B from domestic sources to deal with equity investment and the debt restructuring programme. \$1B to come from the Billion Bond and \$500M from the Capital Development Fund. To date they have obtained the following inflows:

	\$M
Equity Investment (Bond)	425.5
Fourth tranche to be received by December 1	210.1
Debt Restructuring (General):	
CDF	\$275M
Debt Restructuring - Small Hotels:	
CDF	\$100M 375.0
Total	----- 1,110.6
To come from CDF	125.0
Total available resources	----- 1,235.6

To date they have made the following allocations:

	\$M
Equity Investment	121.6
Disbursement to NDB	100.0
Debt Restructuring (General)	20.0
Debt Restructuring (Small Hotels)	29.2
Total Disbursement	----- 270.8
Balance to be disbursed	964.8

Against this there are:

Commitments for disbursement:	
Equity Investment - November	132.6
Equity Investment - December	78.5
Equity Investment - January	56.5
Debt restructuring Nov./Dec.	98.4
To be disbursed to NDB	50.0 416.0
Balance	----- 548.0

Against this \$540.8M there are projects in the pipeline of \$387.1M, leaving an uncommitted balance of \$158.9M.

In terms of the US\$50M line, US\$25M was raised from a BNS line for six months. This line was rolled for an additional six months. Against this line NIBJ and NDB have disbursed and have commitments for financial year 1996/97 totalling US\$31M. BNS line has been rolled for a further six months. On this line there is therefore a shortfall of US\$6M for 1996/97.

The recommendation is that NIBJ use the uncommitted \$158.9M balance from Bond issue to purchase US dollars from the Bank of Jamaica or the market in order to satisfy the US\$6M shortfall.

Ministry of Finance & Planning
November 19, 1996

CENTRAL GOVERNMENT SUMMARY ACCOUNTS - Fiscal Monitoring Table
FY 1996-97

(in millions of dollars)

Definition	Item	Provisional End Sept	Provisional Oct	Provisional End Oct	Target End Oct	Difference
A	A1..A5	Revenue & Grants				
		31,110.8	4,860.0	35,970.8	39,653.4	(3,682.6)
A1	Tax Revenue	27,226.5	4,508.0	31,734.5	35,681.7	(3,947.2)
A2	Non-Tax Revenue	1,374.4	71.8	1,446.2	1,636.5	(190.3)
A3	Bauxite Levy	1,370.4	134.9	1,505.3	1,547.0	(41.7)
A4	Capital Revenue	524.8	60.1	584.9	415.1	169.8
A5	Grants	614.7	85.2	699.8	373.1	326.7
B	B1..B3	Expenditure				
		38,003.2	7,236.0	45,239.2	44,003.8	1,235.4
B1	B1a..B1d	Recurrent Expenditure				
		32,829.4	4,989.1	37,818.6	36,120.7	1,697.9
B1a	Programmes	6,731.3	156.5	6,887.8	7,416.5	(528.7)
B1b	Wages & Salaries	13,140.6	1,702.5	14,843.0	13,660.1	1,182.9
	of which back-pay	3,698.0	0.0	3,698.0	4,200.6	(502.6)
B1c	B1c1..B1c2	Interest				
		12,957.6	3,130.2	16,087.7	15,044.1	1,043.6
B1c1	Domestic	10,120.6	2,692.8	12,813.3	11,471.7	1,341.6
B1c2	Foreign	2,837.0	437.4	3,274.4	3,572.4	(298.0)
B1d	Contingencies	0.0	0.0	0.0	0.0	0.0
B2	Capital Expenditure	3,768.0	2,102.0	5,870.0	7,883.1	(2,013.1)
	IMF #1 Account	1,405.8	144.9	1,550.7	1,641.8	(91.1)
B3	* Unallocated	0.0		0.0		0.0
C	A-B	Overall Balance (Surplus + / Deficit -)				
		(6,892.4)	(2,376.0)	(9,268.5)	(4,350.4)	(4,918.1)
	Loan Receipts	19,829.9	2,958.8	22,788.8	13,451.1	9,337.7
	External	4,522.8	306.8	4,829.6	8,151.1	(3,321.5)
	Project Loans	1,291.9	288.2	1,580.1	2,168.9	(588.8)
	Other	3,230.9	18.7	3,249.5	5,982.2	(2,732.7)
	Domestic	15,307.2	2,652.0	17,959.2	5,300.0	12,659.2
	Amortization	13,312.5	799.3	14,111.9	12,513.0	1,598.9
	External	4,868.1	477.5	5,345.6	7,255.5	(1,909.9)
	Domestic	8,444.5	321.8	8,766.3	5,257.5	3,508.8
	Overall Balance (Surplus + / Deficit -)	(375.0)	(216.5)	(591.5)	(3,412.3)	2,820.8

CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 1996/97

(in millions of dollars)

			Provisional					Budget	
Definition	Item		Q1	Q2	Q3	Q4	FY Total	96/97	Diff
A	A1..A5	Revenue & Grants	15,464.2	15,646.6	18,975.3	21,811.8	71,897.9	76,460.8	(4,562.9)
A1		Tax Revenue	13,079.2	14,147.3	16,278.4	19,430.2	62,935.1	67,935.0	(4,999.9)
A2		Non-Tax Revenue	875.2	499.2	654.5	1,200.1	3,239.0	3,821.3	(582.3)
A3		Bauxite Levy	785.0	585.5	473.8	601.6	2,445.9	2,700.0	(254.1)
A4		Capital Revenue	312.8	212.0	1,303.3	369.8	2,198.0	1,263.5	934.5
A5		Grants	412.1	202.6	255.3	210.0	1,079.9	741.0	338.9
B	B1..B3	Expenditure	20,025.6	17,977.6	19,611.2	16,775.7	74,390.1	79,756.2	(5,366.1)
B1	B1a..B1d	Recurrent Expenditure	16,325.8	16,503.7	15,699.0	14,520.6	63,049.1	61,059.4	1,989.7
B1a		Programmes	3,455.2	3,183.9	2,560.7	2,943.3	12,143.1	12,748.2	(605.1)
B1b		Wages & Salaries	7,074.8	6,158.1	4,842.7	6,206.5	24,282.1	22,700.0	1,582.1
		of which back-pay	2,553.2	1,144.8	0.0	0.0	3,698.0	4,201.0	(503.0)
B1c	B1c1..B1c2	Interest	5,795.8	7,161.7	8,295.6	5,370.8	26,624.0	25,611.2	1,012.8
B1c1		Domestic	4,361.0	5,759.5	6,824.7	4,293.5	21,238.8	19,382.7	1,856.1
B1c2		Foreign	1,434.8	1,402.2	1,470.9	1,077.3	5,385.2	6,228.5	(843.3)
B1d		Contingencies					0.0	0.0	0.0
B2		Capital Expenditure	2,951.4	816.5	3,378.7	1,853.2	9,000.0	14,367.8	(5,367.8)
		IMF #1 account	748.4	657.4	533.5	401.8	2,341.0	4,329.0	(1,988.0)
C	A-B	Overall Balance (Surplus + / Deficit -)	(4,561.4)	(2,331.0)	(635.9)	5,036.1	(2,492.2)	(3,295.4)	803.2
		Overall Balance (Surplus + / Deficit -)							
		(Net of IMF #1 account)	(3,813.0)	(1,673.6)	(102.4)	5,437.9	(151.2)	1,033.6	(1,184.8)
D		Loan Receipts	7,319.3	12,510.6	5,572.5	3,688.7	29,091.1	23,966.4	5,124.7
D1	D1a..D1b	External	365.0	4,157.7	920.5	850.5	6,293.8	13,821.4	(7,527.6)
D1a		Project Loans	365.0	926.9	864.5	605.5	2,761.9	3,566.4	(804.5)
D1b		Other	0.0	3,230.9	56.0	245.0	3,531.9	10,255.0	(6,723.2)
D2		Domestic	6,954.3	8,352.9	4,652.0	2,838.2	22,797.4	10,145.0	12,652.4
E	E1..E2	Amortization	4,227.1	9,085.4	4,641.8	5,207.9	23,162.2	20,100.0	3,062.2
E1		External	1,490.9	3,377.2	1,845.2	2,491.7	9,204.9	11,659.0	(2,464.1)
E2		Domestic	2,736.2	5,708.2	2,796.7	2,716.2	13,957.3	8,431.0	5,526.3
F	A-B+D-E	Overall Balance (Surplus + / Deficit -)	(1,469.2)	1,094.2	294.8	3,516.9	3,436.6	571.0	2,865.6

TEXTILE AND APPAREL INDUSTRY

1.0 Executive Summary

1.1 The Development Council is informed that the Textile and Apparel Industry is in crisis. A number of factories have closed with the consequential loss of close to 6,000 jobs in the past two years. In addition to twenty-five (25) companies that have closed during this period, another five have indicated their intention to close by December 1996. The overriding reason stated for the closures and impending closures is "the high operating costs which resulted in companies being uncompetitive".

1.2 **Factors Impacting on Industry:** There are some critical factors which are currently having a negative impact on the industry. They contribute to making the industry uncompetitive and need to be addressed if the downward slide is to be reversed. These factors as identified by the industry and by JAMPRO include:

- Electricity rates currently being charged to industrial users
- Rental rates in Government-owned or administered properties
- Export security to prevent narcotics contamination
- Lack of reliable transportation system for industry workers
- Inadequate Police security for the Kingston and Garmex Free Zones
- Need to provide competitive financing to expand productive capacity
- Need to provide tax-free productivity incentives
- Possible adjustment of JAMPRO Certification User Fees

807 operators have indicated that re-valuation of the dollar has further eroded their margins.

1.3 **Industry As Catalyst:** The industry has over the years functioned as a catalyst in the process of economic development. It has been historically the first rung on the ladder to industrial development for a number of countries. The significance of the industry can be measured by the following:

- In 1995, it provided employment for about 70,000 individuals - 36,000 directly and 34,000 indirectly with an estimated wage bill of J\$14.56 billion.
- The industry is the largest employer of women in the manufacturing sector, currently employing some 32,400 women, i.e. some 4 in every 10 jobs in the manufacturing sector.
- 250 operational plants make up the industry, consisting of both locally owned and foreign based plants located in all parishes.
- The industry's exports were valued at US\$594.152 million in 1995, rising from US\$102.399 million in 1986 and accounting for 65%-70% of non-traditional exports. 807 products account for 70% of the total value of exports.

1.4 **Recommendations:** It is urgent that a special programme of assistance to the industry be implemented. Recommendations are put forward in Section 5 of this paper for Council's consideration.

TEXTILE AND APPAREL INDUSTRY

1.0 Introduction

- 1.1 The Development Council is asked to note that the Textile and Apparel Industry is in crisis. The industry is adversely affected by high operating costs such as electricity rates, rental rates, security costs, user fees and financing. Unless immediate attention is given to the situation, the country will be faced with serious consequences in terms of loss of jobs, loss of export earnings and potentially further retrenchment in an industry that has been over a decade a growth pole in the economy.
- 1.2 It will be recalled that the industry has distinguished itself as the leading industry in the manufacturing sector since 1985. It has earned in exports a net total of US\$702.8 million in ten years, 1986-1995 and has created 27,000 additional jobs over that period, 13,000 pre-Gilbert and 14,000 post-Gilbert.

2.0 Factors Impacting on Industry

- 2.1 There are some critical factors which are currently having a negative impact on the industry. They are making the industry uncompetitive. These factors are as follows:
- a. The tariff structure of electricity rates as they apply to the manufacturing - sector needs to be reviewed. Currently the industry pays US\$10.15 per kwh for industrial rate 40 to the Jamaica Public Service. Table 1 below shows comparative electricity rates in selected countries in the Region. Of the countries shown, Jamaica's average rate is the highest. The high cost of electricity as well as the large deposit which is required by the Jamaica Public Service Co. Ltd. adds to the increasing uncompetitiveness of Jamaica as a viable location for off-shore sourcing. It is recommended that Government review the tariff structure for electricity rates and provide some form of subsidy which will ensure international competitiveness for manufacturers.

Table 1 ELECTRICITY PRICES (in US Cents/kwh)

Country	Residential	Commercial	Industrial	Average
Mexico	3.51	10.23	3.39	5.71
Honduras	5.32	8.99	9.09	7.80
Guatemala	7.05	8.07	9.54	8.22
Costa Rica	6.62	10.57	8.60	8.60
Panama	12.02	11.84	9.87	11.24
Nicaragua	10.90	13.12	10.20	11.41
Jamaica	13.18	11.89	10.15	11.74

Source: Energy Economic Information System, OLADE Report (March 1996)

- b. Rental rates on properties administered by the Free Zones and Factories Corporation of Jamaica need to be reviewed. A total of 206,331 sq. metres (2.221 million sq. ft.) of factory space is currently occupied by apparel companies. Total revenue generated is US\$8.515 million (see Table 2). In addition 69,210 sq. metres (744,999 sq.ft.) of factory space is unoccupied, and revenue lost is US\$2.346 million per year. It is recommended that there be a roll back in rental to an amount to be agreed and that a subsidy be provided by Government to the extent of the resulting shortfall in rental income.

Table 2 1995/96 OCCUPIED FACTORY SPACE OWNED/ADMINISTERED BY GOVERNMENT

Factory Location	Occupied Space	Rental Rate	US\$ Revenue
Kingston Free Zone	658,680 sq.ft.	US\$3.50 sq. ft	2,305,275
Garmex Freezone	297,169 sq.ft.	US\$3.50 sq. ft	1,040,092
Montego Bay Free Zone	987,432 sq.ft.	US\$4.28 sq.ft.	4,196,586
Non-Free Zone Areas	277,884 sq.ft.	J\$100.00 sq. ft.	793,954
Total	2,221,135 sq.ft.		8,515,547

- c. The industry has been the target for narcotics trafficking because of large volume shipments and frequent movements. The increased incidence of narcotics in export shipments has forced companies to put in place security measures to deter contamination. In 1992, the cost of security accounted for 20% of the total cost of moving an export container.
- d. Reliable transportation is critical for the industry. It is recommended that either the industry be allowed to acquire buses at concessionary rates as necessary and be provided with adequate parking to pick up their workers at strategic locations, and/or provision of additional seats to package holders where warranted.
- e. Incidents of crime and violence related to robbery and narcotics trafficking have resulted in the need for increased Police security for the Garmex and Kingston Free Zones. Both the Minister of Industry, Investment and Commerce and the Minister of National Security and Justice have agreed that a Police post be established at Garmex. U.S. Congressman Jesse Helms who expressed concerns regarding the level of security in the Garmex Free Zone was also given assurance earlier this year that such a post would be established. Poor security is seen by operators within the Zones as being directly related to a problem of low productivity, difficulty in recruiting workers and a reluctance to expand capacity. Companies are unable to institute second and third shifts and overtime work because employees fear for their lives. The estimated cost for a Police post at Garmex and security patrols in the Free Zone environs is J\$7.842 million per year.
- f. Competitive financing is required. This is needed to assist in the retooling of operations which will enable exporters to achieve global competitiveness. It is proposed that discussions be held to develop a funding scheme for re-tooling.
- g. The implementation of an appropriate tax-free productivity incentive scheme has been the call of the industry over the past three years. Such a scheme would be geared towards productivity improvement, boosting worker morale and enhancing competitiveness of companies.
- h. The schedule of certification user fees charged by JAMPRO had been designed for cost recovery from all exporters. The user fees were set at 0.3% of the f.o.b. value for Free Zone exporters who pay in U.S. dollars and 0.1% of the f.o.b. value with a cap of J\$500.00 for Customs Territory exporters. Only recently have the Free Zone exporters raised the issue of the disparity in rates. It is proposed that the rates be reviewed and should a reduction be agreed upon, the Ministry of Finance and Planning would be requested to provide funds for the resultant shortfall to JAMPRO's budget.

3.0 Industry As Catalyst

3.1 The industry has over the years functioned as a catalyst in the process of economic development. It has been historically the first rung on the ladder to industrial development for a number of countries. The significance of the industry can be measured by the following:

- a. It provided employment for about 70,000 individuals in Jamaica at the end of 1995 - thirty six thousand (36,000) directly in the industry and some additional 34,000 indirectly in other areas, such as security personnel and port workers in Kingston and Montego Bay. This significant contribution to job creation has benefitted the country to the tune of some J\$14.56 billion in wages and salaries and also contributed approximately J\$6.552 billion in Government revenues.
- b. It is the largest employer of women in the manufacturing sector, currently employing some 32,400 women. This is translated to 40% (or some 4 in every 10) jobs of all manufacturing jobs.
- c. It now boasts some two hundred and fifty (250) operational plants ranging from a low of ten (10) machines to a high of four thousand (4,000) machines. It consists of both locally owned and foreign based plants. Table 3 shows the structure of the industry by nationality, employment, and export value. Table 4 shows where the companies are located in all parishes in Jamaica. This special characteristic, coupled with the fact that it is highly labour intensive highlights the industry as an ideal benchmark which the Government can use to de-urbanize the Jamaican economy and enhance rural development.

Table 3 1995 STRUCTURE OF APPAREL INDUSTRY

Nationality	No. Cos.	Employment	Export Value - US\$M
Hong Kong	6	4,650	107.3
South Korea	6	1,960	20.1
U.S.A.	29	12,800	234.1
Canada	2	210	2.5
Jamaica	207	16,380	230.2
Total	250	36,000	594.2

Table 4 1995 DISPERSION OF APPAREL COMPANIES BY MAJOR LOCATION

Location	No. Cos.	Employment	% Total
Kingston Free Zone	9	6,141	17.05
Garmex Freezone	7	2,400	6.67
Kingston Metropolitan	158	18,269	50.75
Montego Bay Free Zone	13	2,653	7.37
Montego Bay Metropolitan	21	3,189	8.86
Other Customs Territory	42	3,348	9.30
Total	250	36,000	100.00

- d. Its exports were valued at US\$594.152 million in 1995, rising from US\$102.399 million in 1986 (see Table 5). They account for 65%-70% of non-traditional exports. Value added earnings range from 20% for 807 manufacturing to 30% and over for other types of manufacturing such as CMT (cut, make and trim) and full package. 807 products account for 70% of the total value of exports.

Table 5

1995/1986 EXPORT BY MARKETS

Market	1995	1986	Absolute	% Change
U.S.A.	538,545,875	97,165,745	441,380,130	454.3%
Canada	3,110,737	504,600	2,606,137	516.5%
CARICOM	1,400,637	818,966	581,671	71.0%
Europ. Union	45,402,600	3,479,095	41,923,505	1,205.0%
Others	5,692,974	430,863	5,262,111	1,221.3%
Total	594,152,823	102,399,269	491,753,554	480.2%

e. It has facilitated the growth of and sustenance of other industries, such as transportation (ground, air and sea), construction, housing, security services, vending and finance.

f. It has contributed through user fees an average of 20% to JAMPRO's annual budget, which amounted to J\$37.535 million in FY 1995/96.

3.2 The industry has ceased to grow. In the past eighteen months (April 1995 to September 1996), twenty five (25) companies have closed and five (5) have reduced the level of their operations. Job losses have now reached 5,785. While 1,271 new jobs have been generated from nine (9) openings, the net job loss in the industry is significant. Tables 6, 7 and 8 show the details of openings, closures and scaled-down operations. Furthermore, in recent weeks the following have taken place:

- Bongwon Apparel Co. Ja. in the Garmex Free Zone has ceased operation because of a fire (400 workers displaced).
- Manchester Apparel in Williamsfield has publicly announced that it will cease operations in December (350 additional workers to be made redundant).
- Five (5) companies (Yoffi Industries Ltd., Cupid Foundations, Sogo, Bond Manufacturing Co., and the Hart Group of Companies) have indicated imminent closures by the end of the year (3,600 workers to be affected).

3.3 The overriding reason stated for the closures and impending closures is "high operating costs which resulted in companies being uncompetitive".

Table 6

1995/96 IMPLEMENTED INVESTMENT PROJECTS

Project Name	J\$M C.I.	Emplymt.	Origin	Location
ASLR Enterprises	3.30	80	Jamaica	Kingston
Gloucester Indus.	56.87	129	Hong Kong	Kingston
Factory Outlet	5.0	40	Jamaica	Kingston
United Apparel	13.20	550	Jamaica	St. Thomas
Wang Cheong Ktg.	10.00	350	Hong Kong	Kingston
Classic Interiors	38.40	20	Jamaica	Manchester
KBR Industries	30.00	24	U.S.A.	Portland
Photo Life Ltd.	40.00	60	S. Korea	Portland
Christocaan	10.00	18	Jamaica	Kingston
Total	207.77	1,271		

C.I = Capital Investment

Table 7 1995/96 FACTORY CLOSURES BY NAME/EMPLOYMENT/LOCATION/ORIGIN

Factory	Employ	Location	Origin	Remarks
Royce Ltd.	43	St. James	U.S.A.	Moved to Mexico
Fashion Express	31	Kingston	Jamaica	No work
Cotton Plantation	62	Kingston	Jamaica	No work
ALSR	70	Kingston	Jamaica	Financing
Micon Apparel	450	Kingston	S. Korea	Fire
PanESCO Ltd.	550	Kingston	S. Korea	Robberies
Caribe Lucea	260	Hanover	U.S.A.	Unions
Meigao	150	Kingston	Hong Kong	Transshipment
Paragon	200	Kingston	PRC	Transshipment
Dada Ja. Ltd	135	Clarendon	S. Korea	Labour Relations
Hofab-Bayshore	250	St. Catherine	Jamaica	Reduced Work
Inglesmoor	35	Kingston	Jamaica	No Work
Montego Trading	140	St. James	U.S.A.	No Work
Cotton Polyester	200	St. Catherine	Jamaican	Financing
Samra Ind. Ltd.	300	St. Catherine	S. Korea	Not Profitable
Seko Mfg.	40	Kingston	Jamaica	Financing
Smiles Ind. Ltd.	27	Kingston	Jamaica	No Work
United Fashions	450	St. Catherine	S. Korea	Not Profitable
Jasper Trading	125	Kingston	S. Korea	Not Profitable
Quality Mfg.	160	Kingston	Jamaica	Financing/Work
Montego Sewing	140	St. James	U.S.A.	No Work
Afasia	230	Kingston	Hong Kong	Restructuring
Clarendon Apparel	580	Clarendon	Hong Kong	Restructuring
Jamaica Knitters	110	Kingston	Hong Kong	Restructuring
Couture Elan	35	Kingston	Jamaica	Low Profit
Total	4,765			

Table 8 1995/96 SCALED-DOWN OPERATIONS

Name of Company	Job Losses
Young Ones	300
Apparel Handlers	300
Yoffi Inds.	120
ISG	100
VTR Group	200
Total	1,020

4.0 Towards the Future of the Industry

- 4.1 In light of these developments, JAMPRO has been participating very actively in promotional events over the period indicated. In collaboration with the industry, JAMPRO has also obtained funding for a competitive analysis to be undertaken by Kurt Salmon Associates. The objective of the analysis is to determine the relative position of the industry vis-a-vis its competitors. In addition, the study seeks to identify and measure the strengths and weaknesses of Jamaica's competitors in order that appropriate strategies may be developed to enhance Jamaica's position in the global market place.

- 4.2 It should be emphasized that the trading environment for the industry is becoming increasingly liberal and competitive. With the phase out of the Multi-Fibre Arrangement by the year 2004, developed markets will be open to all developing countries on a quota-free basis. NAFTA has already eroded concessions enjoyed by CBI countries and the proposed Free Trade Area of the Americas will deepen this process. It is evident that the industry will need to undertake significant restructuring to ensure its long-term competitiveness.

5.0 Recommendations

- 5.1 In the short to medium term, an assistance programme for the industry is urgently required. Such a programme could be implemented for two years in the first instance, after which an evaluation would be carried out to determine whether or not an extension is necessary. The following are proposed as principal elements of such a programme:

- a. Adjustment to the electricity rates currently being charged to industrial users i.e., rate 40.
- b. Review, with a view to adjustment, of rental rates on Government-owned or administered properties.
- c. Provision of a reliable transportation system for industry workers.
- d. Provision of adequate Police security for the Kingston and Garmex Free Zones including the establishment of a Police post at Garmex.
- e. Development of a funding scheme for retooling.
- f. Approval of tax-free productivity incentives.
- g. Adjustment as may be appropriate of the certification user fees currently being charged to exporters by JAMPRO and provision of funds from the Ministry of Finance and Planning to cover shortfall in revenues.

Minister of Industry, Investment and Commerce/JAMPRO
November 19, 1996

5

DC 8/96

EXTENSION OF THE EXPORT INDUSTRY ENCOURAGEMENT ACT TO PARTIAL EXPORTERS

I. The Development Council was advised at its meeting in September 1996 that the Ministry of Industry, Investment and Commerce had requested that the Chief Parliamentary Counsel prepare a Ministerial Order giving effect to the decision to widen the Export Industry Encouragement Act (EIEA) to partial exporters.

II. The Council was advised that, taking into account the provisions of the 1973 CARICOM Agreement on the Harmonization of Fiscal Incentives, the instructions to the CPC proposed a cap of 50% on the percentage of income tax relief which would be granted to partial exporters. Attention was drawn to the fact that the CARICOM Agreement on the Harmonization of Fiscal Incentives has been under review for a number of years and that

discussions within CARICOM had revealed significant variations from the agreed provisions on the part of individual countries.

III. The Development Council's attention was also drawn to the fact that fiscal incentives linked to export performance are now prohibited under the World Trade Organization's Agreement on Subsidies and, consequently, developing countries are required (a) to phase out these subsidies within eight (8) years of January 1, 1995, and (b) not to increase the level of such subsidies during the phase-out period.

IV. The Council should be aware therefore that there is the possibility that the extension of the EIEA benefits to partial exporters might be challenged by trading partners. Should this occur, it appears that Jamaica's best defence will be the fact that legislation mandating the extension of EIEA to partial exporters, has been in place since 1976 (Section 4 (1.A), and, therefore, predates the World Trade Organization's 1995 Agreement. In any event, as previously indicated to the Council, export linked

incentives, under current trade rules, can be legally retained only until January 2003 - the end of the WTO prescribed phase-out period.

V. The Council should also be aware that any further work towards harmonizing fiscal incentives within CARICOM can be expected to take account of the WTO requirements in regard to export incentives - an issue to which the CARICOM Secretariat is fully sensitized.

VI. It will be recalled that the Council at its September meeting, instructed that Trinidad's legislation and practice in regard to export incentives be taken account of in the proposed extension of the EIEA to partial exporters.

VII. Trinidad and Tobago's incentive regime contains three performance based incentives for the encouragement of exports. These are (i) market development grants; (ii) promotional expense deductions; (iii) export allowance. Firstly, market development grants equivalent to 50% of expenses incurred in developing new markets are available to exporters. These grants are currently administered by Trinidad's national Tourism and Industrial Development Corporation (TIDCO). Secondly, under the existing

incentives regime, promotional expenses incurred in order to create and promote the expansion of foreign markets for the export of goods or construction industry services are allowed to be grossed up to 150% of the expenses incurred. Thirdly, the Trinidadian Corporation Tax Act provides for a rebate on taxes proportionate to export sales. Under the Act, an enterprise is entitled to an allowance on manufactured products (excluding petrochemical and a few other items) that is related to its export sales. The amount of the allowance is deductible from taxable income, which effectively serves to exempt profits on exports from taxation.

VIII. The formula for deriving the export allowance is

$\frac{\text{Export Sales}}{\text{Total Sales}} \times \text{Total Sales Profits}$. This provides a clear incentive for

the producer to increase export sales as a proportion of total sales, and directly links the level of the tax relief to the level of export sales.

IX. It should be noted that neither the export allowance nor the allowance related to promotional expenses are applicable to intra-CARICOM exports, and thus are not directly explanatory factors in regard to Trinidad's strong

trade performance within CARICOM. However, they clearly contribute to Trinidad's overall commitment to raising export levels and to the development of expertise and efficiency in penetrating markets, both intra and extra CARICOM.

X. Against the background of the discussions at September's meeting of the Council, and in particular the need to level the incentive playing field between Jamaica and Trinidad and Tobago, the Ministry of Industry, Investment and Commerce, subsequently modified its instructions to the Chief Parliamentary Counsel. The Counsel was requested to prepare a Ministerial Order extending the Export Industry Encouragement Act (EIEA) to partial exporters, by the provision of an export allowance along the lines applicable in Trinidad and Tobago. A general Ministerial Order setting out the conditions for granting of the allowance is attached at Annex I. An Order prescribing the benefits to be conferred on individual applicants has also been prepared by the Chief Parliamentary Counsel (CPC) and is attached at Annex II. It should be noted that the allowance will apply only to extra-CARICOM exports and that a 10% threshold of export sales to total sales must be attained before the allowance will apply.

XI. In addition to being reflective of the Trinidadian scheme, the approach outlined has been informed by consultations that have taken place with the Ministry of Finance and Planning and the Attorney General's Department. While there has been preliminary support for the approach, these consultations have not been finalized.

XII. As soon as the revised scheme is endorsed by Cabinet, the Ministry of Industry, Investment and Commerce will be in a position to gazette the Ministerial Order and the scheme will become operational.

XIII. As indicated earlier, tax relief to partial exporters and other export performance incentives are prohibited under the WTO Agreement on subsidies and must be phased-out by January 2003. There is provision for WTO - authorized extensions, but these will be reviewed on an annual basis by the WTO's Committee on Subsidies and Countervailing Measures, and are likely to be granted only in exceptional circumstances. It must be emphasized that while the WTO Agreement prohibits (i) subsidies contingent "in law or in fact" on export performance, and (ii) subsidies contingent upon the use of domestic over imported goods, other forms of

subsidies to the manufacturing and related sectors remain permissible. It must also be recognized that the fact that a subsidy is permissible (that is, not prohibited) does not preclude countervailing action by a trading partner if it is established, in accordance with WTO procedures, that the existence of the subsidy causes injury to the domestic industry of that trading partner.

XIV. It should be noted, that the foregoing caveat aside, Jamaica still retains fairly wide scope for the provision to industry of incentives that are not export performance linked or contingent on the use of domestic over imported goods.

XV. The comprehensive restructuring of the incentives regime called for in the long term by the National Industrial Policy will require the elaboration of a structure of incentives and benefits linked to output,

productivity and/or measures of performance other than exports. The Ministry will be seeking technical assistance for the longer term overhaul of the incentives regime.

Ministry of Industry, Investment
& Commerce
1996 November 19

THE EXPORT INDUSTRY ENCOURAGEMENT ACT

The Export Industry Encouragement Notice, 1996

In exercise of the powers conferred on the Minister by subsection (1B) of section 4 of the Export Industry Encouragement Act, the following Notice is hereby given:-

1. This Notice may be cited as the Export Industry Encouragement Notice, 1996.
2. The matters specified in paragraph 3 are hereby prescribed for the purposes of section 4(1B) of the Act, being matters as to which the Minister shall be satisfied in respect of a company in relation to the manufacture of an approved export product.
3. - (1) The company is incorporated in Jamaica.
(2) The company -
 - (a) is engaged in the manufacture of products for export;
 - (b) manufactures or proposes to manufacture a product declared under section 3 of the Act to be an approved export product.
(3) An approved export product manufactured by the company will be exported by it to countries outside the Caribbean Common Market.

Dated this day of , 1996.

Minister of Industry, Investment
and Commerce

THE EXPORT INDUSTRY ENCOURAGEMENT ACT

The Declaration of Approved Export Manufacturer
() Order, 19

In exercise of the powers conferred on the Minister by subsection (1A) of section 4 of the Export Industry Encouragement Act, the following Order is hereby made:-

1. This Order may be cited as the Declaration of Approved Export Manufacturer () Order, 19 .

2. In this Order -

"approved export manufacturer" means the company which is by virtue of paragraph 3, declared to be an approved export manufacturer;

"approved export product" means the product in relation to which the approved export manufacturer is so declared;

"factory" means the factory referred to in paragraph 3;

"sales" means sales ex-factory by, or on behalf of the approved export manufacturer.

3. [] is hereby declared pursuant to an application dated the [] day of [] 19 . to be an approved export manufacturer in relation to the product of manufacture which was declared to be an approved export product for the purposes of subsection (1A) of section 3 of the Act.

4. The date on which production of the approved export product is [deemed] to begin at the factory for the purposes of the Act is the [] day of [] 19 .

5. - (1) If for any year of assessment the approved export manufacturer's total export sales are at least ten percent of its total sales, the approved export manufacturer shall be entitled to an export allowance.

(2) In sub-paragraph (1), an export allowance means, in relation to any year of assessment, an allowance

calculated by way of the following formula, that is to say,

$$\frac{ES \times TSP}{TS}$$
 "ES" (export sales) being the proceeds from

TS

sales during that year on exports, otherwise than to countries of the Caribbean Common Market, of the approved export product and "TSP" (total sales profit) being the amount that would be charged to tax as taxable profits of the approved export manufacturer if -

- (a) the manufacture or production and sale of the approved export product to which the export allowance applies were the only source of profit of the approved export manufacturer; and
- (b) in determining the taxable profit, no regard is to be had to any loss sustained in that year of assessment,

and "TS" (total sales) being the proceeds of sale (ex-factory) of the total manufacture or production of the approved export manufacturer during the year of assessment.

(3) For the purposes of the definition of "ES" and "TS", in determining the amount of "proceeds of sale" no account shall be taken of excise duty, if any, paid by the approved export manufacturer in respect of any approved export product sold during the year of assessment.

6. - (1) Subject to sub-paragraph (2), an export allowance to which paragraph 5 applies shall continue for a period of seven years.

(2) Where an approved export manufacturer's total export sales are less than ten percent of its total sales for a year of assessment, the Minister [may][shall] by order revoke the entitlement of that approved export manufacturer to an export allowance granted pursuant to this Order.

3

Dated this

day of

, 19

Minister of Industry, Investment
and Commerce

UWI Libraries

THE EXPORT INDUSTRY ENCOURAGEMENT ACT

The Declaration of Approved Export Manufacturer
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3

Dated this

day of

, 19

Minister of Industry, Investment
and Commerce

UWI Libraries

DC 7/96

6

BACKGROUND NOTE

INDUSTRIAL MINERALS

Government has been promoting the Industrial Minerals Sector which is largely comprised of minerals such as limestone/lime marble and gypsum.

Approximately 80% of the island's surface coverage is limestone of world-class quality. Estimates suggest that total reserves could be approximately 150 billion tonnes. Limestone, and one of its derivative, lime are regarded as very valuable materials in industrial processing. Lime is the cheapest of all alkalis and has a very diverse end-use structure. It is used for example in the manufacture of chemicals, the processing of pulp and paper, the processing of sugar and other foods, the refining of petroleum, tanning of leather, water treatment and soil conditioning.

In recent times, a number of companies have indicated an interest in the mining and processing of limestone for use in the Bauxite Sector or for export. Among these are Western Cement, Clarendon Lime and Chemical Lime.

It is important to note that a significant infusion of capital is required for the development of the sector. Firms which have indicated an interest have been requesting various types of fiscal incentives. As a result, a number of ad hoc recommendations have been taken to Cabinet requesting **inter alia** income tax relief for given periods of time, duty concessions on the importation of capital goods and Accelerated Depreciation.

What is required, however, is a special fiscal regime for the Industrial Minerals Sector (similar perhaps to what obtains in the Bauxite Sector) as the present Incentive Legislation is not appropriate for application to this sector.

The existing literature supports this view. Paul Fortin, in a paper entitled **Substantive Criteria to Assess the Fiscal Regime of a Developing Country** states that:

“Some developing countries have adopted investments incentive legislation or Investment Codes which are offering investors, tax concessions and other advantages. Those concessions and advantages are normally well suited for the manufacturing or agricultural sectors. But when it comes to the mining industry, very often those incentive legislations and investment codes are over-generous in aspects that are not essential to the mining industry and Governments may forego substantial revenues for no reason. What the mining investor is interested in is not so much a tax holiday but to be assured that he can repatriate quickly the investment in tangible and intangible assets in order to minimize the exposure in a country he is not familiar with. It is, therefore, strongly recommended that the fiscal regime be structured so as to tailor fit the mining situation rather than to borrow from incentive legislation and investment code provisions that belong to the manufacturing or agricultural sector”.

A small Committee under the chairmanship of Cabinet Secretary and comprising representatives from the Ministry of Industry, Investment & Commerce, Ministry of Agriculture & Mining, JAMPRO and OPM recently met to review some issues raised, particularly in respect of the Chemical Lime Project which is the closest to implementation.

The group looked at the Incentive regime for the Bauxite Sector which includes Income Tax Relief for a given period, duty free importation of capital goods and certain inputs, and a royalty and levy payment system.

In the case of Chemical Lime, what was being considered was the granting of stand alone Freezone status - based largely on the premise that all of its product would be exported. This was considered inappropriate as such a status would mean that the company would be Income Tax Exempt in perpetuity and the only revenue accruing to Government would be Royalty payments of US.35 cents per tonne of ore mined. In addition, the issue was further complicated since in the initial years the bulk of the output would be to the bauxite sector. (An issue to be clarified is whether, within the existing legislation, sales to the Bauxite Sector can be classified as exports).

It was, therefore, agreed that there is the need for a special Incentive Regime to be developed to address the Industrial Minerals Sector.

It was also recognized that such a Regime should take into account the existing incentives given to the Bauxite Sector to ensure that any new regime was not in conflict with that.

The components of the Regime being proposed were identified as comprising a combination of the following elements:

- Income Tax Relief for specified periods ranging up to ten (10) years
- Accelerated Depreciation
- Royalty/Levy
- Duty Free imports of Capital goods

It is recognized that the development of such a Regime will take a great deal of time before it can be implemented.

In the instant case of Chemical Lime, time however, is of the essence since the Company's over-all Development Plan calls for the commissioning of a given number of Kilns over given time frames. If the implementation date for the Jamaican project falls behind schedule, then there may be no guarantee as to when the project will be implemented. This is because their scheduling calls for three (3) year implementation time frames given the level of infrastructure required in developing any new location.

Recommendation

It is necessary to immediately develop broad guidelines for a Fiscal Incentive Regime for the Industrial Mineral's Sector and perhaps by Ministerial Order, grant specific relief to Chemical Lime within that framework to facilitate the early implementation of the project.

20/11/96

indminer

5088/96

Re Item 6

MEMORANDUM

To: Right Honourable Prime Minister

From: Maureen Vernon
Development Division

Date: 1996 November 18

Subject: **Chemical Lime - Postponement of Announcement**

As per your instructions, the relevant Agencies were requested to complete their work in order to facilitate our signing off on the above project on Wednesday, November 20, 1996.

In discussions, however, the issue of incentives was raised by the Ministry of Mining. A meeting was convened under the Chairmanship of Cabinet Secretary with the Commissioner of Mines, Director General Mining, Permanent Secretary, MIIC, JAMPRO and Karl Hendrickson to resolve the issue.

JAMPRO has been, over time, requesting various concessions for different projects in the Industrial Minerals Sector - Western Cement and Clarendon Lime to name a few.

In the case of Chemical Lime, approval was given for it to operate as a Stand Alone Freezone. Such a designation would give it relief from Income Tax in perpetuity. The only income accruing to the Government would be from royalty payments of 3.5cents per ton under the existing Mining Act. The investment is initially US\$100M and highly capital intensive - the employment component being very low.

X

In discussing the issue, it was agreed that it was inappropriate for Chemical Lime or any such Mining operation to operate under the Freezone Act as Income Tax may be the only significant source of revenue accruing to the Government over time.

The Ministry of Mining & MIIC have been requested to meet with the Ministry of Finance (Barbara Gunter) to fashion an appropriate incentive modality for the Industrial Minerals sub-sector. It is anticipated that a paper will be ready for tabling at the Development Council meeting on Wednesday.

In light of this, it is not feasible for an announcement to be made on Wednesday as proposed. Karl Hendrickson has been intimately involved in the discussions and has so indicated to Chemical Lime.

We are trying to ensure that the issue be resolved as soon as possible to facilitate an early announcement.

NATIONAL INVESTMENT BANK OF JAMAICA
Project Pipeline
INDICATIONS OF INTEREST

Prepared: 96-11-12

	Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (US\$)	Funding Requested from NIBJ (US\$)	Status
1	09-Apr-96	Pine Grove Guest House	Tourism	The property is located in the Blue Mountain coffee region in St. Andrew. The guest house has 8 rooms and a restaurant with a seating capacity of 80 persons. The proposal is for the purchase of the Guest House for the purpose of establishing a state of the art mountain spa.	Equity	875 000	275 000	Revised "initial" proposal received 31-October-1996
2	23-Apr-96	Astra Country Inn/ Country Style Holdings	Tourism	Development of Country Style Ltd. - a tourism marketing company focusing on 'community tourism', in Mandeville	Equity/loan	129 450	25 000	Site visit & meeting proposal to come
3	17-Jun-96	Cove Mountain Resort	Tourism	Development of a 16 hect. property in Hanover which is cultivated in banana, coffee & coconut, into an eco-tourism and riding facilities.	Equity/loan	805 893	90 338	Summary received
4	02-Oct-96	Calico Jack Tours	Tourism	The project aims at providing a package which includes a of Port Royal and a boat ride to Lime Cay. The tourist is being targeted.	Equity/Loan	not specified	not specified	Summary received
Tourism Sub-Total							390 338	
5	22-Feb-96	Pulse Investments Limited (Villa Ronai)	Entertainment	Development of a theme park/television in Stony Hill, St. Andrew. Including television, nature park, accommodation museum and high tech innovations (virtual reality etc.)	Equity	1 500 000	750 000	Meeting held & proposal to come
6	30-Apr-96	Record Films Limited	Entertainment	Financing for a feature length film (Shame & Scandal) for cinema, TV and home video.	Equity/Debt	1 137 000	100 000	Meeting held & proposal to come
Entertainment Sub-Total							850 000	
7	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.	Equity/Debt *	3 400 000	680 000	Meeting held & - proposal to come
Mining Sub-Total							680 000	
8	20-Sep-96	Baby and You Garment Ltd.	Manufacturing	St. James based company engaged in the production of garments and accessories for export.				Summary received- proposal to come
Manufacturing Sub-Total							0	
TOTAL =							\$ 1 920 338.00	

NATIONAL INVESTMENT BANK OF JAMAICA

'Deferred Projects' Pipeline

Prepared: 96-11-12

Date Received	Title	Industry/Sector	Description	Type of financing	Total Funding required (US\$)	Funding Requested from NIBJ (US\$)	Status	Source of NIBJ funding
1 22-Feb-96	Jamaica Multimedia Arts and Entertainment Center (JAMMAEC)		Development of a 5 000 seat, enclosed, acoustically designed music theater in Montego Bay, including an adjoining restaurant with seating capacity for 150 diners & a sports bar. The facility will be used to promote a variety of musical forms	Equity/Debt	35 000 000	7 000 000	Presentation & meeting held, awaiting proposal	J\$1 billion bond
Entertainment Sub-Total						7 000 000		
2 23-Jan-96	Mezgar Gardens	Tourism	The development of 50 villas and condominium and a 200-room all inclusive hotel on 84 acres of land in St. Thomas.	Loan Equity	21 600 000 14 400 000	2 880 000	Feasibility study to be done	J\$1.00 billion bond
3 23-Apr-96	Drax Hall (Hilton)	Tourism	Development of a second hotel on the Drax Hall property which will be managed by Hilton International, U.K. It will be a 255-room hotel.	Equity/loan	45 000 000	4 500 000	Letter of interest rec'd	J\$1 billion bond
4 23-Apr-96	Hedonism II - Expansion	Tourism	Involves the expansion of the 280-room Hedonism II hotel in Negril, by the construction of 66 junior suites & 15 full suites.	Equity/loan	11 000 000	4 000 000	Summary received - deferred	J\$1 billion bond
5 15-Jul-96	Navy Island	Tourism	The development of Navy Island off the coast of Port Antonio as a tourist resort, with NIBJ being the promoter.	Equity/Debt	38 400 000	4 000 000	Proposal received - deferred re Blaise Trust	J\$1 billion bond
Tourism Sub-Total						15 380 000		
TOTAL						22 380 000		

**NATIONAL INVESTMENT BANK OF JAMAICA
DECLINED PROJECTS PIPELINE**

Prepared: 96-11-12

	Date Received	Title	Industry/ Sector	Description	Funding Requested	Status
1	30-Apr-96	Lanco Industries Limited	Manufacturing	Financing sought to reduce debt burden and to provide working capital.	25 000	Existing loans are US\$ facilities
2	20-Mar-96	Bryad Engineering	Construction	Financing sought to reduce debt burden and to provide working capital.	225 000	Letter advising of decision to decline project sent 7/96
3	06-Jun-96	Ciboney Country Inn Resort	Tourism	Development of a 125-room hotel operated by the Carlson Group of Companies, of which Cibony has the master franchise	8 000 000	Proposal Submitted and declined
4	04-Mar-96	Highgate Foods Limited	Manufacturing	Expansion of existing facilities and operations and refinancing of high interest debt.	500 000	Application withdrawn
5	21-Jun-96	Singles Car Rental Limited	Tourism	Car rental business seeking refinancing	87 500	Does not qualify for funding under programme
6	30-Apr-96	Picaninnies	Manufacturing	Refinancing of existing debt of a manufacturing concern		
7	30-Jan-96	Falcon Corporation	Manufacturing	Manufacturing of two-seat trainer and four-seat airplane frames for export to the US. Location of site to be finalized	60 000	Amended proposal declined by Board 7/96
8	21-Jun-96	Jamaica Ornamental Ltd.	Agriculture	An ornamental fish farm with export potential in St. Andrew they intend to expand facilities and refinance expensive debt	125 000	Proposal received, reviewed, declined
9	11-Jul-96	Friends Group Limited	Tourism	The restructuring of finances, refurbishing and repositioning of Negril Gardens and Plantation Inn	10 000 000	Proposal declined
10	01-Jun-96	Tropiculture & Ornamentals	Agriculture	Refinancing of a cut foliage farm in St. Thomas.	10 000 000	Declined - new source of funding found

	Date Received	Title	Industry/ Sector	Description	Funding Requested	Status
11	01-Jun-96	Long Pond	Agriculture	Refinancing of Long Pond sugar estates and factory	250 000	Project withdrawn by promoters
12	30-Apr-96	Jablum Jamaica Limited	Agriculture	The refinancing/restructuring of a large coffee farm with processing facilities in the Blue Mountain region.	not specified	Replaced by proposal from Bybrook Estates Ltd.
13	09-Aug-96	Sandosa Entertainment Ltd.	Entertainment	Refinancing of debt of a record producing company.	10 750 000	Proposal received, reviewed, declined
<u>Debt Restructuring</u>						
1	30-May-96	Everything Nice Limited	Manufacturing	Refinancing of a family-owned business involved in cycle rentals, papaya farming, bakery and villa rental	212 500	Proposal declined by Special C'mtee July, 96
2	07-Jun-96	Quality Manufacturers Ltd.	Manufacturing	Refinancing of debt of a garment manufacturing enterprise.	15 000 000	Does not qualify for funding under programme
3	18-Jun-96	Walkers Wood Foods Ltd.	Manufacturing	Refinancing of debt of a food processing enterprise engaged in the export of sauces and seasonings to USA, Canada & UK.	10 560 000	Does not qualify for funding under programme
4	17-Sep-96	Sea Splash Resorts	Tourism	Debt restructuring for a 18-room hotel in Negril	10 000 000	Application declined by Special C'mtee Oct, 96
5	16-Apr-96	Faurens Limited	Mining	The project involves the extraction of marble blocks as well as aggregates and sand for building and road construction. The operation is located in Colbeck, St. Catherine. Funding required to refinance debt.	4 000 000	Application declined by Special C'mtee Oct, 96
6	29-Nov-96	City Discount Centre Ltd.	Wholesale/Retail	Refinancing of a Goodyear authorised dealership located in Montego Bay.	5 000 000	Does not qualify for funding under programme