DC3/97 CONFIDENTIAL

AGENDA

MEETING OF THE DEVELOPMENT COUNCIL
BANQUET HALL, JAMAICA HOUSE
WEDNESDAY MAY 14 1997, COMMENCING AT 10:00 A.M.

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1. Chairman's Opening Remarks - Hon. Prime Minister - Chairman

2. Apologies for Absence

3. Confirmation of Minutes of March 26, 1997

4. Matters Arising:
   - 4.1 Chemical Lime Project
     (See p.3 of Mins.DC2/97)
   - 4.2 NIBJ Institutional Strengthening
     (See pp 9-10 of Mins.DC2/97)
   - 4.3 Water Tank Project
     (See page 15 of Mins. DC2/97)

5. Report on Tourism Sector - Update on Hotel Projects...
   (See pp 5-9 of Mins. DC2/97)
   The Sub-committee - Dr Lawrence/ Mr Richards / Mr. Thomas
   DC24 OPM(MT)14/97
   (Matters for Background)
   (Information / Decision)

6. NIBJ Investment Projects [and Debt Refinancing]
   (Mr. Richards)
   DC22 OPM(NIBJ)13/97
   (Matters for Background)
   (Information)

7. National Industrial Policy
   (See pp 4-5 of Mins.DC2/97)
   - 7.1 Review and Assessment of Performance, First Year
     DC21 OPM(TS)12/97
     (Matters for Background)
     (Information)
   - 7.2 Implementation and Update May 1997
     (Mrs. Francis)
     DC23 MIIC(JAMPRO)9/97
     (For Background)
     (Information)

8. Any Other Business

9. Date of Next Meeting

10. Adjournment

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WEDNESDAY MAY 14, 1997, COMMENCING AT 10:00 A.M.

1. Chairman's Opening Remarks

2. Apologies for Absence

3. Confirmation of Minutes of March 26, 1997

4. Matters Arising:

For Decision	Background Info.	Submission No.
National Industrial Policy	See pp 4 -5 of Min.2/97	
- NIBJ Investment Projects (Mr. Richards)		DC 22OPM(NIBJ)13/97
	Review and Assessment Of Performance In the First Year (Prof. Harris)	DC 21OPM(TS)12/97
	Implementation Update May 1997 (Mrs. Francis)	DC23MIIC(JAMPRO)9/97
Report on Tourism Sector	See pp 5-9 of Min 2/97	
- Update on Hotel Projects Granted (or being considered for) Government of Jamaica Financial Assistance (The Sub-Committee - Dr. Lawrence/Mr. Richards/ Mrs. Thomas)		DC24OPM(MT)14/97
	Water Tank Project (HMAM)	

5. Any Other Business
(Date of Next Meeting)

6. Adjournment

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MINISTRY OF AGRICULTURE AND MINING
HOPE GARDENS,
KINGSTON 6,
JAMAICA

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PRIME MINISTER
MAY 14 1997

PLEASE QUOTE
REFERENCE NO._____

May 13, 1997

Hon. Dr. Carlton Davis
Permanent Secretary/Cabinet Secretary
Cabinet Office
1 Devon Road
Kingston 10.

Dear Dr. Davis,

Enclosed please find twenty (20) copies of a Submission to the Development Council entitled "The Central Inlier Gold Project" for presentation to the next meeting of the Development Council.

Yours truly,

Godfrey W. Perkins

Godfrey W. Perkins
Director General.

Encl.

c.c. Hon. P.J. Patterson

Hon. Horace A. Clarke

Permanent Secretary - MAM

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PRIME MINISTER
MAY 13 1997

CABINET OFFICES

MEMORANDUM

TO	:	*Honourable Prime Minister*
FROM	:	*Cabinet Secretary*
DATE	:	*May 12, 1997*
RE	:	*Meeting of the Development Council - May 14, 1997*

I thought I should make a few comments on the agenda items as I do in the case of Cabinet.

Item 4

In regard to 4.1 what is needed here is just an update on the status of this potential investment. You will observe that although the matter came before the Council for determination, there were still twenty outstanding items locally. There were, too, matters in the hands of Chemical Lime.

Item 4.2: You are aware of this. This is all the more critical as the list of Government's investments grows. One must contemplate a time when receipts from our investments can finance new ones; not this perpetual putting in of fresh funds.

In respect of 4.3, we were to have a report from conversations between HMFP and HMAM.

Item 5 Paper DC 24/OPM (MT) 24/97

The report is quite clear.

The report on Braco (pp 3-4) reflects what I have observed for some time and illustrates the weakness in a policy of NIBJ just having board representation as the basis for monitoring its investments.

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Item 6 NIBJ Investment Projects etc DC 22 OPM (NIBJ) 13/97

No comments.

Item 7.1 Review and Assessment of [the] Performance [of the N.I.P.] First Year - DC OPM (TS) 12/97.

Item 7.2 Implementation and Update May 1997 DC 23 MIIC (JAMPRO) 9/97

Item 7.1 This, in my mind, is a useful opening contribution, although most of it is a tour d'horizon of what has gone on in terms of macroeconomic policy, and human and physical infrastructure investments made by Government.

I fully endorse the position stated in para 3 of page (iii) of the Executive Summary that the area of productivity is a weakness in our mission.

This has been a particular view of mine for the following reasons:

1. *Even if a generously low Incremental Capital Output Ratio (ICOR) number is assumed to stimulate growth, the rate we set in the NIP, will only be achieved with increased productivity.*

2. *The present Productivity Council under JAMPRO (if it still exists) will not do, as exemplified by the fact that I have never seen any data to suggest that they made progress in any sector of the economy. To my mind, a much more focused and technically-oriented group is required.*

3. *If we hold the exchange rate, which I support, mainly because of its impact on the poor and lower-to-mid-level professional classes, we will put our competitive position at risk if wages continue to be settled way in excess of inflation. In such a situation, only increased productivity can recover lost ground.*

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7.2

In regard to the Public Awareness Programme, I trust that JAMPRO is demonstrating to the various audiences that the policy is being implemented by Government and there are tangible results (which can be cited from NIBJ's or the Technical Secretariat's report).

The Policy is an agenda item for the forthcoming Jamaican Institute of Management (JIM) Seminar. It is my view that JAMPRO should mobilize a strong showing there.

P.S.

1. ***Proposals in regard to a tiny gold project in Clarendon are being sent but since the submission is so late it is not likely to be considered. On the other hand, the investors want to go to the board.***

2. ***I have asked Mrs Ford-Warner to attend, because: (a) tourism is a big part of the investments; (b) there is a need for her to be informed about what is going on.***

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DC2/97

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MEETING OF THE
DEVELOPMENT COUNCIL
WEDNESDAY, MARCH 26, 1997
10.45 A.M.

PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and Transport
Hon. Horace Clarke, Minister of Agriculture and Mining
Dr. the Hon. Paul Robertson, Minister of Industry, Investment and Commerce
Honourable John Junor, Minister of 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, Director-General, Planning Institute of Jamaica
Dr. Vincent Lawrence, Urban Development Corporation
Mr. Nathan Richards, National Investment Bank of Jamaica
Mr. Kingsley Thomas, Agricultural Credit Bank
Mr. Pat Francis, President, JAMPRO
Professor Don Harris, Office of the Prime Minister
Mrs. Maureen Stephenson-Vernon, Office of the Prime Minister

IN ATTENDANCE:

Mrs. Veniece Pottinger, JAMPRO
Ms. Enith Williams, PIOJ
Ms. Uta Schumacher
Mr. Paul Dixon, Special Executive Assistant to HPM
Ms. Michele Alexander, Cabinet Office
Ms Ula Miller, Cabinet Office

The Prime Minister apologised for the late start of the Meeting.

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DC2/97

CONFIRMATION OF MINUTES

Minutes No. DC1/97 were confirmed.

MATTERS ARISING:

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

The Prime Minister said that in respect of the institutional arrangements, the decision to establish the Technical Secretariat flowed from the acceptance of the National Industrial Policy (NIP). He said that following deliberations by the Council, Dr. Wesley Hughes and Mr. Kingsley Thomas were charged to collaborate in enabling the Secretariat to be created and function appropriately.

The Prime Minister said that a Head had been identified and was in place; temporary location for the Secretariat's operations had been found; and initial funding had been provided, as a result of his instructions to the National Investment Bank of Jamaica (NIBJ).

The Secretariat, the Prime Minister said, had to be put on a proper footing. No provision had been made in the public funds and the temporary arrangements with the NIBJ could not be carried indefinitely. There were, however personnel already identified who needed to be paid, he said.
He also pointed out that staff had been made available from different institutions, some of which were anxious to retrieve their staff or regularise the arrangement to facilitate filling vacancies.

The Prime Minister proposed that the funding for the Technical Secretariat be a charge on the Capital Development Fund (CDF). The formal decsion, he said could be taken at an appropriate time.
It would therefore be necessary, he said, to ask that the NIBJ continue to make advances, in the meantime.

Continuing, **the Prime Minister** said that the Technical secretariat emerged out of the National Industrial Plan. It was critical in the execution of the Plan, he said, and should not be regarded as an infringement on anybody's area of responsibility, nor was it intended to duplicate work assignments.
However, he said, to avoid that duplication, it was essential that there was access to information and a willingness to discuss matters which related to the execution of the NIP, in order to enable reporting to the Council, from time to time, as to progress in terms of implementations of the NIP.

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This approach to the exercise, the Prime Minister said would ensure remarkable progress.

ii) **Chemical Lime Project**

Submission No. DC15 MIIC7/97 was tabled.

Minister Robertson reported that long discussions had taken place with the NRCA and he was of the view that all impediments had been removed.

Mrs. Pat Francis said that prior to the meeting held the day before, approval had been granted by the NRCA for the project to proceed, but the conditionalities imposed made it non-viable.
There were some 20 items considered, but the most critical was the actual areas for mining.
She said that only about .5% of the total acreage allocated was allowed for mining, as the remainder was classified as "protected areas".
This was a crucial consideration, she said, and agreement was ultimately reached to reduce the protected areas.

There was, therefore agreement to proceed with the proposal, she said. Chemical Lime could now proceed to apply to the Ministry of Mining for a licence to mine the prescribed area; and would present to the Ministry of Mining a plan of action, which was a usual requirement.

Mrs. Francis said that the 10-15 other points not agreed on would be discussed.
She said that the Consultant seemed satisfied that the agreements reached the day before would be acceptable to the Company; and that final acceptance was awaited.

The Prime Minister directed that all documents submitted to the Council for consideration should indicate at the bottom, the Agency from which they emanated.

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iii) **Implementation of the National Industrial Policy**

Submissions DC10 OPM6/97 and **DC12 MIIC4/97** were tabled.

Mrs. Francis reported that since the last meeting of the Council, Public Awareness meetings had been held with Minister Portia Simpson and Minister Gillette making presentations in St. Ann and St. Mary, respectively. Both meetings were extremely well attended and well received.

She said that presentations were also made to private sector groups; there were beginnings of private sector groupings forming advisory councils; most of the work programmes from the Ministries had been received; and the compilation of all the "management reports" was continuing.

Regarding the Information Technology sector, **the Prime Minister** cautioned that if care were not exercised, a number of bodies could become involved with the same subject.
Alredy, he said, a special group of the National Council on Science and Technology (NCST) and NACOLAIS within the Office of the Prime Minister were involved.
A recommendation of NACOLAIS, he said, was that the exercise should be centralised.

The Prime Minister therefore asked that every effort be made to avoid having a multiplicity of bodies dealing with the same matters.
He therefore directed that JAMPRO should get touch with the Permanent Secretary or Dr. Wallace in the Office of the Prime Minister, before proceeding any further to ensure a common purpose.

Mrs. Francis said efforts were being made to have a cross section and that talks were already being held with Dr. Wallace.
She said that the Apparel and Light Manufacturing Cluster #4 was most active in trying to ensure that an advisory council was in place.

Mrs. Francis mentioned that work was proceeding, in collaboration with the Jamaica Information Service (JIS), on the production of information documents by sector, in order to get out a smaller document to the people which did not wish to read the comprehensive document. In this connection, she said the JIS had produced a budget for the printing of the booklets.

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The Prime Minister suggested that the production of the books be done as a commercial venture.

With regard to the "cluster" versions, he suggested that the exercise be financed by the relevant sectors.

The Prime Minister was not in agreement with the further use of advertisements in this exercise and did not favour any more expenditure on air coverage. He felt that the best way to get favourable results was to demonstrate activity.
He said the JAMPRO needed to work with the JIS and the agencies involved in getting out manageable portions of the programme.

iv) **Report on Tourism Sector**

Submission DC6 OPM2/97 was tabled

Dr. Lawrence reported that, as was requested at the Cabinet Retreat, the sub-committee (Messrs. Kingsley Thomas, Nathan Richards and Vin Lawrence) met, reviewed the data; solicited additional data from the companies; then met with the organisations and asked for financial information on the projects; and carried out a "due diligence" study on those submitted.
Swept Away and Drax Hall Marriott provided detailed information, he said; the Braco and Braco Pebbles review exercise was nearing finalisation; and the Montego Bay (Rollins) Ritz Carlton also sent in information.

SWEPT AWAY -TRELAWNY

Dr. Lawrence said that the Swept Away project was worthy of support, but there were some specific problems.
He pointed out that a mere 40% approx. of the land space would be utilised in phase I; GOJ funding represented 44.5% of the total project cost; significant fees were payable to the sponsors; and shareholders' agreements were problematic and new ones would have to be prepared.
There was also concern about the design of the hotel which was planned to be a 4-star, but no more than a 3-star was evident and therefore the rate structure was not supportable.

The Prime Minister recommended that the proposal be accepted subject to those considerations outlined. He directed the same sub-committee to pursue the matter to conclusion.

The Prime Minister said further, that the matter of the suppply of water to the area had to be examined.

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He said that the proposal put to the Minister of Public Utilities and Transport, which would affect not only Swept Away, but all developments in the area, including Silver Sands, was that after discussion with the National Water Commission (NWC) and developers, water would be put in by the developers as part of the overall development, with an "accelerated write-off" by the Water Commission.

The Prime Minister said that the NWC had indicated that the number of customers in the area did not justify the expenditure which was required, and therefore the exercise would not proceed. He felt that the NWC had no obligation to lead in the development process. The provision had to be made from some source and then written off accordingly, he said.

Another proposal with similar results, put forward by the Minister of Finance, was to identify the water requirements which would be met by the NIBJ and not the NWC, but with whom an agreement would be reached for recovery of the expenditure over a specified time.

HEDONISM II - RUNAWAY BAY

Dr. Lawrence said that, again, there were issues to be resolved. However, the project, which was about to go to tender, was well advanced and well prepared.
He did not consider the location ideal, he said.
(This view was not shared by some members of the Council).
He mentioned that the CDB wanted another US$5M added to the project cost for contingencies, bringing the total to US$36M approximately; and pointed to the considerable appreciation in the value of the property between acquisition and project.

The CDB had approved equity of $6M for this project, he said, which the Super Clubs would market and manage.
Not much documentation on partnership and management had been submitted.

The Minister of Finance questioned whether there was the "know-how" to screen the management contracts.
Dr. Lawrence gave the assurance that the matter was being examined very carefully.

The Minister of Finance said he was also wary about land valuations which would be used as equity. He favoured assistance to get the project started, but would not support any involvement in the day to day process.
Dr. Lawrence stated that he had made it clear to the developers that Government's contribution to the project was necessary to realise the value of the land.

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The Prime Minister gave approval for Hedonism on the same terms as for Swept Away.

DRAX HALL - MARRIOTT

Dr. Lawrence said that this project presented great difficulty for the sub-committee, which felt that it was not at the stage of preparation for immediate implementation.
He said that there were preliminary designs, but detailed designs were not yet in place; a number of issues relating to project costs needed to be dealt with; there was a $30M plus gap still to be financed in a US$64M project; and issues related to a number of off-site linkages, which involved the sharing of common land, remained to be worked out.

Dr. Lawrence pointed that significant portions of their revenue (15%) were projected on Casino operations. He mentioned that earlier enquiry about such operations, resulted in a name change to "Machine Games Rooms".
He said that any approval of this project with the injection of Government funds would therefore be on the premise that there would be Casino operations and not Games Rooms.

The Prime Minister felt that the involvement of Marriott and Hilton should not discouraged.

The Prime Minister said that during the next six months efforts should be made to clarify the outstanding issues. If done satisfactorily, the project would be restructured; if not, the project would have to be aborted.

Minister Junor enquired whether there was any correlation between number of rooms and number of machines.

BRACO VILLAGE AND BRACO PEBBLES

Dr. Lawrence said the situation needed to be studied very deeply. There was a lot of money tied up, he said.
In the case of Pebbles, which was designed for children, he said that Government had injected money but had no part in the management of it.

He said that there had been concerns about the projections which clearly indicated intentions to mislead. He felt the time was right to determine the level of financial involvement, and to consider changing management and operations. It was possible, he said, to be involved in the preliminaries for a long time without any returns.

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The Prime Minister was against the injection of any more funds from the NIBJ.

Minister Davies said it was desirable to have a coordinated approach and the supporting expertise. He said he did not support the formal establishment of any entity, similar to the National Hotels and Properties (NHP) to monitor the situation, but favoured the placement of two or three persons on the different Boards. He said that major ownership and operations were involved and he did not consider the naming of NIBJ personnel as the solution; it required someone financially trained, who knew the hotel business.

This view was shared by Mr. Richards. Dr. Lawrence felt that some resources and expertise existed which should be utilised. He said it was important to address the situation urgently.

The Prime Minister said some group responsible for protecting the Government's investments in these entities was needed. If NIBJ were to be the main instrument, a capable, dedicated team within its structure was necessary to deal with the issues. In the strengthening of the institution, therefore, this consideration had to be taken into account.

Dr. Lawrence was of the view that to await the strengthening of the NIBJ to address these issues would be futile. He felt that expertise presently in place at National Hotels and Properties for monitoring other properties, e.g. Pegasus, should be utilised.

The Prime Minister said new terms of arrangements would be needed. He directed that a meeting involving the UDC, ACB NIBJ and NIF should be convened to discuss, work out the details and resubmit the matter to the Council.

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BEACHES, WHITEHOUSE

Dr. Lawrence stated that the details were still not yet available. He said he expected to receive the data in April and would submit the matter to the Council at its next Meeting.

The Prime Minister expressed surprise that the data was not yet in, as his information was that it was the intention to move the crew from Beaches Negril to commence Beaches, Whitehouse.

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RITZ CARLTON, ROSE HALL MONTEGO BAY

Dr. Lawrence said that a great deal of problems were being encountered with the project. Further information was needed to do a proper evaluation. The land alone was valued at US$13M.

OTHER MENTION

Dr. Lawrence said that flowing from a meeting earlier that day with Mr. Peter Rousseau of Ciboney, there was an agreement regarding the Towers. He said he would be unable to finalise the arrangements by March 31, but if by mid-April there was no proposal, it might be worth the while to have another discussion with Mr. Rousseau to ascertain the status. Dr. Lawrence said a successful outcome could result in 200 additional rooms in a critical area.

vi) **Progress Report - NIBJ Institutional Strengthening NIBJ**

The Prime Minister said there seemed to be some misunderstanding of the role and functions of the NIBJ. He said the NIBJ was dealing primarily with divestment. If it were to succeed and concentrated only on that area of activity, it would of necessity become obsolete. He reiterated that the Bank was much more than that. It was not primarily about divestment; it was largely about investment. It was also about mobilising the resources needed to be secured for investment, so that the economy could grow and expand and to discharge the role as envisaged by the National Industrial Policy.

To achieve that, he said, the Bank needed to revisit its structure and operations; it also had to take into account that while divesting, significant shareholdings were being retained in several enterprises. Some of those enterprises, he said, were of such a strategic nature that, from time to time, requests were made for Government support or the provision of guarantees for them.

There must be some group to protect the investment in those enterprises, the Prime Minister said.

He therefore repeated his view that the NIBJ needed to revisit its institutional structure and to strengthen and gear itself to deal with those challenges. It was not simply about dealing with the investments discussed, he said.

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Mr. Richards mentioned that a document had been prepared and submitted to the Board; and that an examination of resource requirements and mobilisation of financial and human resources was being undertaken.

The Prime Minister said that he was not in agreement with an examination of financial resources before undertaking repositioning of a new NIBJ and determination of its role in the new dispensation.
He felt that the matter was taking too long.

He directed that the line Minister should be provided with the necessary documentation now.
He said he expected the matter to be settled by the time of his Budget Presentation.

Mr. Richards promised to submit the document to the Prime Minister.

v) **Report of Development financing for Industry and Status of Refinancing Programme/Equity Investments**

The Prime Minister enquired about the use to which Government's money had been put, to which Mr. Richards responded, site preparations.

The Prime Minister expressed concern about recovery of such funds in cases of abortion of projects.

Minister Davies requested details on the matter. In the case of Grizzley's Entertainment Ltd, he pointed out that even with a $7.5M disbursement "no preconditions had been met and work had not yet begun."

Dr. Lawrence said that as a member of the Board he had been sent cheques for signature, in connection with that project. He said that on request for details, he was informed that payment related to equipment purchased overseas, for which invoices and documentation were produced, but there was no evidence of payment of customs duties. He said he had refused to deal with the matter without the proper documentation. Now, he said with the report of "no preconditions met" he said he felt "taken".

Mr. Thomas stated that his fear was that there were a number of applicants who had failed to meet conditions because of the stringency of requirements.
He said that substantial sums were disbursed to projects which were questionable in terms of protection for NIBJ.

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The Prime Minister recalled that last year when the Facility was being approved to deal with companies because of the existing Interest Rate regime, he had given instructions for there to be a group (Finance, BOJ, NIBJ among others) that would do the evaluation of all those risks and make recommendations to the Board of the NIBJ. He said he had also directed that the Ministers with line responsibilities (Industry, Agriculture, Finance, OPM) would need to be apprised.

The Prime Minister asked whether the Committee had been functioning and, if so, why were certain details being reported for the first time to the Development Council in submissions.

Mrs. Vernon pointed out that the function of that group was to deal with re-financing and not new projects.

Mr. Richards said that the Committee had been functioning and that there was an internal group for new projects.
The NIBJ Board had considered 5 - 11 of these.

Minister Davies enquired about the authority for the disbursements made and sought details on the collateral for Grizzley's advance.

The Prime Minister requested a report on the proposal from Grizzley's Entertainment Ltd. and others. In addition he said the whole system had to be revisited.
He wished to be presented very soon with a proposal for the new system.

vii) <u>Project GDP Communications Ltd</u>

The Prime Minister directed that the matter should be referred to the Investment Facilitation Board, chaired by Minister Robertson, for consideration, and involving the Ministry of Public Utilities and Transport and the relevant persons from the Office of the Prime Minister, after which a submission may be made directly to the Cabinet, depending on the outcome of the deliberations of the Board.

<u>APPAREL SECTOR - REVIEW OF THE CURT SALMON REPORT</u>

Mrs. Francis said that a final draft of the report was now available.

The Prime Minister requested a status report on the implementation of the special proposals for the apparel sector.

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Mrs. Francis said there had been difficulties, but currently there was a special assistance programme - **Submission DC13 MIIC 5/97.** To date, she said, 48 applications had been received from 33 companies; with documentation outstanding from 6 companies; one company failed to qualify having less than 10 employees; 22 payments totalling J$3.3M had been made to 16 companies, with the first payment being made on February 20, 1997; an additional 16 applications had been approved for payment totalling $2.1M, and cheques were being prepared by the Ministry of Industry, Investment and Commerce.

Mrs. Francis pointed to associated problems -

- Companies were hesitant to supply information because they thought that members of the Committee were competitors and would be reviewing it; they were however now satisfied that there were no competitors on the Committee.

- Proof of payment of taxes, which was a pre-condition for disbursement.
  (Mrs. Francis indicated that in one case, disbursement was made as there had been a special arrangement with the Ministry of Fianance).

The Prime Minister suggested that Government could proceed to pay itself for taxes, etc. due to it, rather than utilise public money to keep entities going and subsequently discover that they remained liable, having failed to fulfil their tax obligations, especially for NHT and NIS.

Prof. Harris said there were concerns in the technical secretariat about the ad hoc arrangements. He stated that there was a lack of any clear identification between funds provided and expected results in the sector; the participation rate of firms in the programme, to date, had been quite low; the actual disbursement, plus verbal commitments, amounted to $5.5M, out of an expected $40M and a fund provision of $200M.

Recognising the problems and the necessity for a study of the needs of the sector, Prof. Harris said it was agreed to review the Curt Salmon report and, in addition, meet with representatives from the public sector, financing institutions, JAMPRO, NDB, NIBJ and OPM. That work, he said, resulted in the preparation of two documents -

DC11 OPM7/97 - "Update on the Textile and Apparel Industry" dated March 21, 1997, and
DC19 OPM10/97- "A Programme for restructuring the Textile and Apparel Sector",

which he tabled.

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Prof. Harris said that the full thrust of the proposal was that the amount already allocated for the sector, $200M, and expenditure of those funds be restructured to focus on the critical short-term needs of the industry.

He said that four components of costs had been identified in seeking to target funds to realise those constraints to guarantee the performance -

- Transportation; Security; Certification Fees; and Worker Training.
  In addition, he said it was desired to focus on technical assistance to the sector.

Transportation Cost - Professor Harris said the complaint was that there was a direct cost for workers and the workers themselves had a time cost and a monetary cost getting to work.
Insofar as those complaints were significant to absenteeism, worker performance and motivation, he felt that funds already provided should be used on a "matching grant" basis, and arrangements supervised to require direct transportation or arangements made with an outside agency.

Professor Harris said transportation constraint was a direct cost and strongly recommended.

Security - Professor Harris said that firms had been vociferous in their complaint about the considerable burden of dealing with crime which fell on them, necessitating the employment of security personnel in the factories and on the road for the conveyance of containers.
He said it was proposed that funds be allocated to carry out security audit of firms that had a deficiency; the audit be done by a firm identified by Government; and that the allocation to the sector be on a "matching grant" basis (50/50) to upgrade security.

Certification Fees - Professor Harris pointed out that there was a difference in the fees currently charged, which discriminated against foreign firms by relating fees to the value of exports, whereas in terms of local firms there was a flat fee of $500.
The proposal, he said, was to standardise as a "flat fee" - reducing the explicit cost derived from the costing of fees on the value of export. This would be regarded by the companies as an advantage and gain.

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Worker Training - Professor Harris said it was felt that there was a need to adapt to existing traininig programmes for the sector, in order to orientate them to in-house training for the specific needs of the firms.
He mentioned the ongoing programme in the Jockey Factory, designed to its specific needs.
It was also proposed, Prof. Harris said that HEART/NTA should revamp its own training to involve this aspect, with funding from the HEART/NTA and not from the $200M provision.

Technical Assistance - Professor Harris pointed to the considerable problem in the sector because of the inability topresent simple documents to validate requests for funding. The programme, he said, had suffered managerial constraints which was more severe among local than foreign firms; in addition, there was problem in technology update, retooling and equipment.

It was proposed, he said, that arrangements be put in place to allow the Productivity Centre and JAMPRO to hire engineers on a contractual basis and to provide technical assistance to enable the upgrading and improvement of production flow, etc.

With regard to Financing, Prof. Harris mentioned that extensive discussions were held with the EXIMBANK which was prepared to participate on the basis of funding the short-term working capital and other kinds of investment activities relating to retooling - plant and equipment, provided it was targetted at the local firms. Foreign firms, however, had their own financing, he said.

Prof. Harris said that the EXIMBANK had submitted a detailed programme for the setting up of the fund.
It was therefore proposed, he said, that some of the allocated funds be used to underwrite that loan programme in the EXIMBANK and some amount of loan guarantee be provided to EXIMBANK to provide a multiple of lending over and above what was channelled to them with those funds. He said this would be managed by EXIMBANK to ensure repayment.

Prof. Harris felt that the above 5 components would more directly address the rehabilitation of the sector and raise its competitiveness.

Minister Davies was of the view that any part of the suport which required documentation on cost from entities would not be forthcoming.

Permanent Secretary Constantine pointed out that the quantum of goods and services provided was not known and consequently there was the risk of adding more than what was being expended.

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It was however mentioned that it was only the level of employment that was in fact being protected.

Professor Harris stressed that the proposals put forward were seeking to address the absence of certain data - elements of cost which affected efficiency. He mentioned that comparison of local costs was made with places like Mexico, Nicaragua, Honduras, Haiti, where competitors had lower security and near zero transportation costs, in addition to NAFTA parity.

Professor Harris recommended that the existing programme be rethought in the light of the considerations made. He said that the Council had already committed itself to an allocation of $200M and the recommendations were to ensure more effective use of it.

The Prime Minister said submission of the matter could not await the next Council Meeting. The Minister should therefore make a submission directly to the Cabinet.

AGRICULTURAL SECTOR

Interest Rate

Minister Horace Clarke said he had been informed of an effective rate of just under 20%, but stated that there was a rebate scheme making it 17%.

The Prime Minister said it was necessary to finalise the rate before commencement of the Budget Debate, which meant during the course of week ending April 4.

The Prime Minister therefore suggested that with the involvement of the Ministry of Finance in the Finance Committee at which the Minister of Agriculture and Mining would be present, a convenient time be seized for them to meet at Gordon House to settle the matter.

Water Tank Project

Mr. Thomas said that there was a problem, especially in St. Elizabeth and the P.C. Banks had expressed a willingness to consider loans for the project.

The Prime Minister recalled the specific proposal from the Ministry of Agriculture and Mining for Government's participation.
The Director-General, PIOJ, mentioned that thought was given to CIF involvement.

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The Prime Minister directed that the matter should be discussed by Ministers Davies and Horace Clarke, at the same meeting to be arranged at Gordon House.

INVESTMENT PROJECTS

Professor Harris referred to a preliminary report on the matter - **Submission DC9 OPM 5/97 - "Analysis of Investment Projects in the Pipeline (February 1997)"**

He said that -

- the report was a comprehensive analysis of Government's commitments, the heaviest being in the Tourism sector (87%)
- it was prepared to show an analysis of and recommendations on the two issues as charged, one of the safeguards being to protect Government's interest and the legal arrangement and the contract and management operation involved.

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The Prime Minister said that whatever was presented should be examined by the parent Ministry.

IMPORT POLICY ISSUES

Submission DC14 MIIC6/97 was tabled.

The Prime Minister said that having regard to the discussions taking place between the Ministries of Agriculture and Industry, Investment and Commerce, and the decision taken by the Cabinet, he was concerned at the tone of the submission which seemed to suggest that the Government was insisting on using measures to circumvent international obligations.
He said he had never heard that being argued.
He expressed the hope that by the time of submission of the matter to Cabinet, it would be re-written, not so much to defend any dubious importation activities, but to indicate how to ensure that only legal imports came in.

The Prime Minister directed that subject to that proviso, the matter should be submitted directly to Cabinet.

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DC2/97

CAPITAL DEVELOPMENT FUND

The Cabinet Secretary was asked to take note of statements on the CDF - **Submission DC7 OPM 3/97.**

The Prime Minister directed that the format of the Agenda for Development Council Meetings should be segmented into -

- **Matters for decision; and**
- **Matters for background information.**

He also stressed the necessity for submissions to be sent in on time, and that only matters approved by him, which were submitted after the time limit of one week before a meeting, should be placed on the Agenda.

The next meeting of the Development Council was scheduled for Wednesday, May 14 at 10.00 a.m.

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MEETING OF THE DEVELOPMENT COUNCIL WEDNESDAY, MARCH 26, 1997 10.45 A.M.

PRESENT:

Rt. Hon. P. J. Patterson, Q.C., Prime Minister
Dr. the Hon. Omar Davies, Minister of Finance and Planning
Hon. Robert Pickersgill, Minister of Public Utilities and Transport
Hon. Horace Clarke, Minister of Agriculture and Mining
Dr. the Hon. Paul Robertson, Minister of Industry, Investment and Commerce
Honourable John Junor, Minister of 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, Director-General, Planning Institute of Jamaica
Dr. Vincent Lawrence, Urban Development Corporation
Mr. Nathan Richards, National Investment Bank of Jamaica
Mr. Kingsley Thomas, Agricultural Credit Bank
Mrs. Pat Francis, President, JAMPRO
Professor Don Harris, Office of the Prime Minister
Mrs. Maureen Stephenson-Vernon, Office of the Prime Minister

IN ATTENDANCE:

Mrs. Veniece Pottinger, JAMPRO
Ms. Enith Williams, PIOJ
Ms. Uta Schumacher
Mr. Paul Dixon, Special Executive Assistant to HPM
Ms. Michele Alexander, Cabinet Office
Ms Ula Miller, Cabinet Office

The Prime Minister apologised for the late start of the Meeting.

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CONFIRMATION OF MINUTES

Minutes No. DC1/97 were confirmed.

MATTERS ARISING:

i) Institutional Arrangements for the Development Council

The Prime Minister said that in respect of the institutional arrangements, the decision to establish the Technical Secretariat flowed from the acceptance of the National Industrial Policy (NIP). He said that following deliberations by the Council, Dr. Wesley Hughes and Mr. Kingsley Thomas were charged to collaborate in enabling the Secretariat to be created and function appropriately.

The Prime Minister said that a Head had been identified and was in place; temporary location for the Secretariat's operations had been found; and initial funding had been provided, as a result of his instructions to the National Investment Bank of Jamaica (NIBJ).

The Secretariat, the Prime Minister said, had to be put on a proper footing. No provision had been made in the public funds and the temporary arrangements with the NIBJ could not be carried indefinitely. There were, however personnel already identified who needed to be paid, he said.
He also pointed out that staff had been made available from different institutions, some of which were anxious to retrieve their staff or regularise the arrangement to facilitate filling vacancies.

The Prime Minister proposed that the funding for the Technical Secretariat be a charge on the Capital Development Fund (CDF). The formal decision, he said, could be taken at an appropriate time.
It would therefore be necessary, he said, to ask that the NIBJ continue to make advances, in the meantime.

Continuing, **the Prime Minister** said that the Technical secretariat emerged out of the National Industrial Plan. It was critical in the execution of the Plan, he said, and should not be regarded as an infringement on anybody's area of responsibility, nor was it intended to duplicate work assignments.
However, he said, to avoid that duplication, it was essential that there was access to information and a willingness to discuss matters which related to the execution of the NIP, in order to enable reporting to the Council, from time to time, as to progress in terms of implementations of the NIP.

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This approach to the exercise, the Prime Minister said would ensure remarkable progress.

ii) Chemical Lime Project

Submission No. DC15 MIIC7/97 was tabled.

Minister Robertson reported that long discussions had taken place with the NRCA and he was of the view that all impediments had been removed.

Mrs. Pat Francis said that prior to the meeting held the day before, approval had been granted by the NRCA for the project to proceed, but the conditionalities imposed made it non-viable.
There were some 20 items considered, but the most critical was the actual areas for mining.
She said that only about .5% of the total acreage allocated was allowed for mining, as the remainder was classified as "protected areas".
This was a crucial consideration, she said, and agreement was ultimately reached to reduce the protected areas.

There was, therefore, agreement to proceed with the proposal, she said. Chemical Lime could now proceed to apply to the Ministry of Mining for a licence to mine the prescribed area; and would present to the Ministry of Mining a plan of action, which was a usual requirement.

Mrs. Francis said that the 10-15 other points not agreed on would be discussed.
She said that the Consultant seemed satisfied that the agreements reached the day before would be acceptable to the Company; and that final acceptance was awaited.

The Prime Minister directed that all documents submitted to the Council for consideration should indicate at the bottom, the Agency from which they emanated.

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iii) Implementation of the National Industrial Policy

Submissions DC10 OPM6/97 and **DC12 MIIC4/97** were tabled.

Mrs. Francis reported that since the last meeting of the Council, Public Awareness meetings had been held with Minister Portia Simpson and Minister Gillette making presentations in St. Ann and St. Mary, respectively. Both meetings were extremely well attended and well received.

She said that presentations were also made to private sector groups; there were beginnings of private sector groupings forming advisory councils; most of the work programmes from the Ministries had been received; and the compilation of all the "management reports" was continuing.

Regarding the Information Technology sector, **the Prime Minister** cautioned that if care were not exercised, a number of bodies could become involved with the same subject.
Already, he said, a special group of the National Council on Science and Technology (NCST) and NACOLAIS within the Office of the Prime Minister were involved.
A recommendation of NACOLAIS, he said, was that the exercise should be centralised.

The Prime Minister therefore asked that every effort be made to avoid having a multiplicity of bodies dealing with the same matters.
He therefore directed that JAMPRO should get in touch with the Permanent Secretary or Dr. Wallace in the Office of the Prime Minister, before proceeding any further, to ensure a common purpose.

Mrs. Francis said efforts were being made to have a cross section and that talks were already being held with Dr. Wallace.
She said that the Apparel and Light Manufacturing Cluster #4 was most active in trying to ensure that an advisory council was in place.

Mrs. Francis mentioned that work was proceeding, in collaboration with the Jamaica Information Service (JIS), on the production of information documents by sector, in order to get out a smaller document to the people which did not wish to read the comprehensive document. In this connection, she said the JIS had produced a budget for the printing of the booklets.

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The Prime Minister suggested that the production of the books be done as a commercial venture.

With regard to the "cluster" versions, he suggested that the exercise be financed by the relevant sectors.

The Prime Minister was not in agreement with the further use of advertisements in this exercise and did not favour any more expenditure on air coverage. He felt that the best way to get favourable results was to demonstrate activity.
He said the JAMPRO needed to work with the JIS and the agencies involved in getting out manageable portions of the programme.

iv) <u>Report on Tourism Sector</u>

Submission DC6 OPM2/97 was tabled

Dr. Lawrence reported that, as was requested at the Cabinet Retreat, the sub-committee (Messrs. Kingsley Thomas, Nathan Richards and Vin Lawrence) met, reviewed the data; solicited additional data from the companies; then met with the organisations and asked for financial information on the projects; and carried out a "due diligence" study on those submitted.
Swept Away and Drax Hall Marriott provided detailed information, he said; the Braco and Braco Pebbles review exercise was nearing finalisation; and the Montego Bay (Rollins) Ritz Carlton also sent in information.

<u>SWEPT AWAY -TRELAWNY</u>

Dr. Lawrence said that the Swept Away project was worthy of support, but there were some specific problems.
He pointed out that a mere 40% approx. of the land space would be utilised in phase I; GOJ funding represented 44.5% of the total project cost; significant fees were payable to the sponsors; and shareholders' agreements were problematic and new ones would have to be prepared.
There was also concern about the design of the hotel which was planned to be a 4-star, but no more than a 3-star was evident and therefore the rate structure was not supportable.

The Prime Minister recommended that the proposal be accepted subject to those considerations outlined. He directed the same sub-committee to pursue the matter to conclusion.

The Prime Minister said further, that the matter of the suppply of water to the area had to be examined.

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He said that the proposal put to the Minister of Public Utilities and Transport, which would affect not only Swept Away, but all developments in the area, including Silver Sands, was that after discussion with the National Water Commission (NWC) and developers, water would be put in by the developers as part of the overall development, with an "accelerated write-off" by the Water Commission.

The Prime Minister said that the NWC had indicated that the number of customers in the area did not justify the expenditure which was required, and therefore the exercise would not proceed. He felt that the NWC had no obligation to lead in the development process. The provision had to be made from some source and then written off accordingly, he said.

Another proposal with similar results, put forward by the Minister of Finance, was to identify the water requirements which would be met by the NIBJ and not the NWC, but with whom an agreement would be reached for recovery of the expenditure over a specified time.

HEDONISM II - RUNAWAY BAY

Dr. Lawrence said that, again, there were issues to be resolved. However, the project, which was about to go to tender, was well advanced and well prepared.
He did not consider the location ideal, he said.
(This view was not shared by some members of the Council).
He mentioned that the CDB wanted another US$5M added to the project cost for contingencies, bringing the total to US$36M approximately; and pointed to the considerable appreciation in the value of the property between acquisition and project.

The CDB had approved equity of $6M for this project, he said, which the Super Clubs would market and manage.
Not much documentation on partnership and management had been submitted.

The Minister of Finance questioned whether there was the "know-how" to screen the management contracts.
Dr. Lawrence gave the assurance that the matter was being examined very carefully.

The Minister of Finance said he was also wary about land valuations which would be used as equity. He favoured assistance to get the project started, but would not support any involvement in the day-to-day process.
Dr. Lawrence stated that he had made it clear to the developers that Government's contribution to the project was necessary to realise the value of the land.

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The Prime Minister gave approval for Hedonism on the same terms as for Swept Away.

DRAX HALL - MARRIOTT

Dr. Lawrence said that this project presented great difficulty for the sub-committee, which felt that it was not at the stage of preparation for immediate implementation.
He said that there were preliminary designs, but detailed designs were not yet in place; a number of issues relating to project costs needed to be dealt with; there was a $30M plus gap still to be financed in a US$64M project; and issues related to a number of off-site linkages, which involved the sharing of common land, remained to be worked out.

Dr. Lawrence pointed out that significant portions of their revenue (15%) were projected on Casino operations. He mentioned that earlier enquiry about such operations, resulted in a name change to "Machine Games Rooms".
He said that any approval of this project with the injection of Government funds would therefore be on the premise that there would be Casino operations and not Games Rooms.

The Prime Minister felt that the involvement of Marriott and Hilton should not be discouraged.

The Prime Minister said that during the next six months efforts should be made to clarify the outstanding issues. If done satisfactorily, the project would be restructured; if not, the project would have to be aborted.

Minister Junor enquired whether there was any correlation between number of rooms and number of machines.

BRACO VILLAGE AND BRACO PEBBLES

Dr. Lawrence said the situation needed to be studied very deeply. There was a lot of money tied up, he said.
In the case of Pebbles, which was designed for children, he said that Government had injected money but had no part in the management of it.

He said that there had been concerns about the projections which clearly indicated intentions to mislead. He felt the time was right to determine the level of financial involvement, and to consider changing management and operations. It was possible, he said, to be involved in the preliminaries for a long time without any returns.

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The Prime Minister was against the injection of any more funds from the NIBJ.

Minister Davies said it was desirable to have a coordinated approach and the supporting expertise. He said he did not support the formal establishment of any entity, similar to the National Hotels and Properties (NHP) to monitor the situation, but favoured the placement of two or three persons on the different Boards. He said that major ownership and operations were involved and he did not consider the naming of NIBJ personnel as the solution; it required someone financially trained, who knew the hotel business.

This view was shared by Mr. Richards. Dr. Lawrence felt that some resources and expertise existed which should be utilised. He said it was important to address the situation urgently.

The Prime Minister said some group responsible for protecting the Government's investments in these entities was needed. If NIBJ were to be the main instrument, a capable, dedicated team within its structure was necessary to deal with the issues. In the strengthening of the institution, therefore, this consideration had to be taken into account.

Dr. Lawrence was of the view that to await the strengthening of the NIBJ to address these issues would be futile. He felt that expertise presently in place at National Hotels and Properties for monitoring other properties, e.g. Pegasus, should be utilised.

The Prime Minister said new terms of arrangements would be needed. He directed that a meeting involving the UDC, ACB NIBJ and NIF should be convened to discuss, work out the details and resubmit the matter to the Council.

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<u>BEACHES, WHITEHOUSE</u>

Dr. Lawrence stated that the details were still not yet available. He said he expected to receive the data in April and would submit the matter to the Council at its next Meeting.

The Prime Minister expressed surprise that the data was not yet in, as his information was that it was the intention to move the crew from Beaches Negril to commence Beaches, Whitehouse.

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RITZ CARLTON, ROSE HALL MONTEGO BAY

Dr. Lawrence said that a great deal of problems were being encountered with the project. Further information was needed to do a proper evaluation. The land alone was valued at US$13M.

OTHER MENTION

Dr. Lawrence said that flowing from a meeting earlier that day with Mr. Peter Rousseau of Ciboney, there was an agreement regarding the Towers. He said he would be unable to finalise the arrangements by March 31, but if by mid-April there was no proposal, it might be worth the while to have another discussion with Mr. Rousseau to ascertain the status. Dr. Lawrence said a successful outcome could result in 200 additional rooms in a critical area.

vi) Progress Report - NIBJ Institutional Strengthening NIBJ

The Prime Minister said there seemed to be some misunderstanding of the role and functions of the NIBJ. He said the NIBJ was dealing primarily with divestment. If it were to succeed and concentrated only on that area of activity, it would of necessity become obsolete. He reiterated that the Bank was much more than that. It was not primarily about divestment; it was largely about investment. It was also about mobilising the resources needed to be secured for investment, so that the economy could grow and expand and to discharge the role as envisaged by the National Industrial Policy.

To achieve that, he said, the Bank needed to revisit its structure and operations; it also had to take into account that while divesting, significant shareholdings were being retained in several enterprises. Some of those enterprises, he said, were of such a strategic nature that, from time to time, requests were made for Government support or the provision of guarantees for them.

There must be some group to protect the investment in those enterprises, the Prime Minister said.

He therefore repeated his view that the NIBJ needed to revisit its institutional structure and to strengthen and gear itself to deal with those challenges. It was not simply about dealing with the investments discussed, he said.

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Mr. Richards mentioned that a document had been prepared and submitted to the Board; and that an examination of resource requirements and mobilisation of financial and human resources was being undertaken.

The Prime Minister said that he was not in agreement with an examination of financial resources before undertaking repositioning of a new NIBJ and determination of its role in the new dispensation.
He felt that the matter was taking too long.

He directed that the line Minister should be provided with the necessary documentation now.
He said he expected the matter to be settled by the time of his Budget Presentation.

Mr. Richards promised to submit the document to the Prime Minister.

v) Report of Development financing for Industry and Status of Refinancing Programme/Equity Investments

The Prime Minister enquired about the use to which Government's money had been put, to which Mr. Richards responded, site preparations.

The Prime Minister expressed concern about recovery of such funds in cases of abortion of projects.

Minister Davies requested details on the matter. In the case of Grizzley's Entertainment Ltd, he pointed out that even with a $7.5M disbursement "no preconditions had been met and work had not yet begun."

Dr. Lawrence said that as a member of the Board he had been sent cheques for signature, in connection with that project. He said that on request for details, he was informed that payment related to equipment purchased overseas, for which invoices and documentation were produced, but there was no evidence of payment of customs duties. He said he had refused to deal with the matter without the proper documentation. Now, ~~he said~~ with the report of "no preconditions met" he said he felt "taken".

Mr. Thomas stated that his fear was that there were a number of applicants who had failed to meet conditions because of the stringency of requirements.
He said that substantial sums were disbursed to projects which were questionable in terms of protection for NIBJ.

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The Prime Minister recalled that last year when the Facility was being approved to deal with companies because of the existing Interest Rate regime, he had given instructions for there to be a group (Finance, BOJ, NIBJ among others) that would do the evaluation of all those risks—and make recommendations to the Board of the NIBJ. He said he had also directed that the Ministers with line responsibilities (Industry, Agriculture, Finance, OPM) would need to be apprised.

The Prime Minister asked whether the Committee had been functioning and, if so, why were certain details being reported for the first time to the Development Council in submissions.

Mrs. Vernon pointed out that the function of that group was to deal with re-financing and not new projects.

Mr. Richards said that the Committee had been functioning and that there was an internal group for new projects.
The NIBJ Board had considered 5 - 11 of these.

Minister Davies enquired about the authority for the disbursements made and sought details on the collateral for Grizzley's advance.

The Prime Minister requested a report on the proposal from Grizzley's Entertainment Ltd. and others. In addition he said the whole system had to be revisited.
He wished to be presented very soon with a proposal for the new system.

vii) Project GDP Communications Ltd

The Prime Minister directed that the matter should be referred to the Investment Facilitation Board, chaired by Minister Robertson, for consideration, and involving the Ministry of Public Utilities and Transport and the relevant persons from the Office of the Prime Minister, after which a submission may be made directly to the Cabinet, depending on the outcome of the deliberations of the Board.

APPAREL SECTOR - REVIEW OF THE CURT SALMON REPORT

Mrs. Francis said that a final draft of the report was now available.

The Prime Minister requested a status report on the implementation of the special proposals for the apparel sector.

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Mrs. Francis said there had been difficulties, but currently there was a special assistance programme - **Submission DC13 MIIC 5/97.** To date, she said, 48 applications had been received from 33 companies; with documentation outstanding from 6 companies; one company failed to qualify having less than 10 employees; 22 payments totalling J$3.3M had been made to 16 companies, with the first payment being made on February 20, 1997; an additional 16 applications had been approved for payment totalling $2.1M, and cheques were being prepared by the Ministry of Industry, Investment and Commerce.

Mrs. Francis pointed to associated problems -

- Companies were hesitant to supply information because they thought that members of the Committee were competitors and would be reviewing it; they were however now satisfied that there were no competitors on the Committee.

- Proof of payment of taxes, which was a pre-condition for disbursement.
  (Mrs. Francis indicated that in one case, disbursement was made as there had been a special arrangement with the Ministry of Finance).

The Prime Minister suggested that Government could proceed to pay itself for taxes, etc. due to it, rather than utilise public money to keep entities going and subsequently discover that they remained liable, having failed to fulfil their tax obligations, especially for NHT and NIS.

Prof. Harris said there were concerns in the technical secretariat about the ad hoc arrangements. He stated that there was a lack of any clear identification between funds provided and expected results in the sector; the participation rate of firms in the programme, to date, had been quite low; the actual disbursement, plus verbal commitments, amounted to $5.5M, out of an expected $40M and a fund provision of $200M.

Recognising the problems and the necessity for a study of the needs of the sector, Prof. Harris said it was agreed to review the Curt Salmon report and, in addition, meet with representatives from the public sector, financing institutions, JAMPRO, NDB, NIBJ and OPM. That work, he said, resulted in the preparation of two documents -

DC11 OPM7/97 - "Update on the Textile and Apparel Industry" dated March 21, 1997, and
DC19 OPM10/97- "A Programme for restructuring the Textile and Apparel Sector",

which he tabled.

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Prof. Harris said that the full thrust of the proposal was that the amount already allocated for the sector, $200M, and expenditure of those funds be restructured to focus on the critical short-term needs of the industry.

He said that four components of costs had been identified in seeking to target funds to realise those constraints to guarantee the performance -

- Transportation; Security; Certification Fees; and Worker Training.
  In addition, he said it was desired to focus on technical assistance to the sector.

Transportation Cost - Professor Harris said the complaint was that there was a direct cost for workers and the workers themselves had a time cost and a monetary cost getting to work.
Insofar as those complaints were significant to absenteeism, worker performance and motivation, he felt that funds already provided should be used on a "matching grant" basis, and arrangements supervised to require direct transportation or arangements made with an outside agency.

Professor Harris said transportation constraint was a direct cost and strongly recommended.

Security - Professor Harris said that firms had been vociferous in their complaint about the considerable burden of dealing with crime which fell on them, necessitating the employment of security personnel in the factories and on the road for the conveyance of containers.
He said it was proposed that funds be allocated to carry out security audit of firms that had a deficiency; the audit be done by a firm identified by Government; and that the allocation to the sector be on a "matching grant" basis (50/50) to upgrade security.

Certification Fees - Professor Harris pointed out that there was a difference in the fees currently charged, which discriminated against foreign firms by relating fees to the value of exports, whereas in terms of local firms there was a flat fee of $500.
The proposal, he said, was to standardise as a "flat fee" - reducing the explicit cost derived from the costing of fees on the value of export. This would be regarded by the companies as an advantage and gain.

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Worker Training - Professor Harris said it was felt that there was a need to adapt to existing training programmes for the sector, in order to orientate them to in-house training for the specific needs of the firms.
He mentioned the ongoing programme in the Jockey Factory, designed to its specific needs.
It was also proposed, Prof. Harris said that HEART/NTA should revamp its own training to involve this aspect, with funding from the HEART/NTA and not from the $200M provision.

Technical Assistance - Professor Harris pointed to the considerable problem in the sector because of the inability topresent simple documents to validate requests for funding. The programme, he said, had suffered managerial constraints which was more severe among local than foreign firms; in addition, there was problem in technology update, retooling and equipment.

It was proposed, he said, that arrangements be put in place to allow the Productivity Centre and JAMPRO to hire engineers on a contractual basis and to provide technical assistance to enable the upgrading and improvement of production flow, etc.

With regard to Financing, Prof. Harris mentioned that extensive discussions were held with the EXIMBANK which was prepared to participate on the basis of funding the short-term working capital and other kinds of investment activities relating to retooling - plant and equipment, provided it was targetted at the local firms. Foreign firms, however, had their own financing, he said.

Prof. Harris said that the EXIMBANK had submitted a detailed programme for the setting up of the fund.
It was therefore proposed, he said, that some of the allocated funds be used to underwrite that loan programme in the EXIMBANK and some amount of loan guarantee be provided to EXIMBANK to provide a multiple of lending over and above what was channelled to them with those funds. He said this would be managed by EXIMBANK to ensure repayment.

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DC2/97

CAPITAL DEVELOPMENT FUND

The Cabinet Secretary was asked to take note of statements on the CDF - **Submission DC7 OPM 3/97.**

The Prime Minister directed that the format of the Agenda for Development Council Meetings should be segmented into -

- **Matters for decision; and**
- **Matters for background information.**

He also stressed the necessity for submissions to be sent in on time, and that only matters approved by him, which were submitted after the time limit of one week before a meeting, should be placed on the Agenda.

The next meeting of the Development Council was scheduled for Wednesday, May 14 at 10.00 a.m.

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MEETING OF THE DEVELOPMENT COUNCIL
HELD WEDNESDAY MARCH 26, 1997

ACTION SCHEDULE

No.	Page	Activity	Responsibility	Time Frame
1.	2	**Institutional Arrangements for the Development Council:** Continue to make advances for the funding of the Technical Secretariat	NIBJ	Until other arrangements have been formalized with the Capital Development Fund
2.	3	**Chemical Lime Project:**	Ministry of Industry Investment and Commerce (MIIC)/ JAMPRO	Immediate
(i)		Proceed with the proposal - apply to the Ministry of Agriculture and Mining (MAM) for a licence to mine the prescribed area and present MAM with the plan of action		
(ii)		Discuss the other 10 - 15 points not yet agreed on.		
3.	3	All documents submitted to the Development Council for consideration should bear the name of the agency from which they originated.	Development Council members	Ongoing
4.	4	**Implementation of the National Industrial Policy:**	MIIC / JAMPRO	
(i)		Centralize the Information Technology sector to preclude a number of bodies dealing with the same matters; and		
(ii)		consult with the Office of the Prime Minister (OPM) (Permanent Secretary or Dr. Wallace) to ensure a common purpose.		
(iii)		Do production of booklets (information documents by sector) as a commercial venture in conjunction with the JIS and the agencies involved.		

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MEETING OF THE DEVELOPMENT COUNCIL
HELD WEDNESDAY MARCH 26, 1997

ACTION SCHEDULE

No. Page	Activity	Responsibility	Time Frame
5. 5	**Report on Tourism Sector:** **Swept Away - Trelawny**	The sub-committee:- Mr. N.Richards Dr. V.Lawrence Mr. K. Thomas	
(I)	Accept the project proposal subject to the recommendations outlined and pursue the matter to conclusion.		
(ii)	Examine the matter regarding water supply for the area.		
6. 6	**Hedonism 11 - Runaway Bay:** Approved on terms similar to Swept Away	-do-	
7. 7	**Drax Hall - Marriot** Try and clarify the outstanding issues - either restructure the project satisfactorily or abort it.	-do-	During the next six months ie. by September '97
8. 7	**Braco Village and Braco Pebbles**	UDC, ACB, NIBJ and NIF	By May 7, 1997
(i)	Convene a meeting to discuss / work out the details; and		
(ii)	re-submit the matter to the Council as regards government investment in and management of the project.		
9. 8	**Beaches, Whitehouse:** Re-submit the matter to the Council	Dr. V. Lawrence	For the next meeting ie. by May 7,'97
10. 9	**Progress Report - NIBJ Institutional Strengthening** Re-visit the institutional structure and operations and provide the line Minister with the necessary documentation	Mr. N. Richards	Immediate

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MEETING OF THE DEVELOPMENT COUNCIL
HELD WEDNESDAY MARCH 26, 1997

ACTION SCHEDULE

No.	Page	Activity	Responsibility	ime Frame
11.	10	**Report on Development Financing for Industry and Status of Refinancing Programme / Equity Investments:**	NIBJ / Mr. Richards	Immediate
(I)		Present a report to the Hon. Prime Minister on the proposal from Grizzley's Entertainment Ltd, and others.		
(ii)		Revisit the whole system regarding government funding and present the Hon. Prime Minister with a proposal for the new system.		
12.	11	**Project GDP Communications Ltd:**	MIIC /JAMPRO	Immediate
(I)		Refer the matter to the Investment Facilitation Board chaired by Minister Robertson, for consideration; and		
(ii)		make a submission to Cabinet regarding the outcome of the deliberations of the Board.		
13.	11	**Apparel Sector - Review of the Curt Salmon Report:**		
(I)		Present the Hon. Prime Minister with a status report on the implementation of the special proposals for the sector.	JAMPRO	Immediate
(Ii)		Make a submission directly to Cabinet after a re-thinking of the existing programme in the light of the considerations made, in order to ensure more effective use of the $200 M allocated.	Hon. Minister MIIC	Immediate

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MEETING OF THE DEVELOPMENT COUNCIL
HELD WEDNESDAY MARCH 26, 1997

ACTION SCHEDULE

No. Page	Activity	Responsibility	Time Frame
14. 15 (I)	**Agricultural Sector:** **Interest Rate** Seize some convenient time to meet at Gordon House to finalize the rate.	Hon. Ministers: MFP and MAM	During the week ending April 4, '97
(Ii)	**Water Tank Project** Discuss the question of funding for the projects	-do-	-do-
15. 16	**Direct Lending By NDB:** Do an examination of whatever was presented	Parent Ministry - OPM	Immediate
16. 16	**Import Policy Issues:** Re-write and make submission directly to Cabinet subject to the proviso that only legal imports are ensured entry	Hon. Ministers MIIC and MAM	Immediate
17. 17 (i)	**Council Meetings:** Segment the agenda of the Development Council meetings into matters for:	Council members/ Cabinet Secretariat	Ongoing
a.	decision		
b.	background information		
(ii) a.	Send in submissions for Council meetings on time	Council members	Not later than one week before a meeting
b.	Only matters approved by the Hon. Prime Minister may be placed on the agenda after the stated time limit		
(iii)	Next meeting of the Development Council		May 14, 1997 at 10:00 a.m.

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DC25 MAM 1/97

CONFIDENTIAL

GOVERNMENT OF JAMAICA-AUSJAM MINING PTY. LTD. AGREEMENT

Central Inlier Gold Project

THIS AGREEMENT is made on the_____day of _____, 1997 between
THE GOVERNMENT OF JAMAICA acting through the Ministry responsible for mining (hereinafter called the "Government"), and
AUSJAM MINING PTY LTD (hereinafter called "Ausjam").

RECITALS

Whereas:

(A) The Government in the national interest desires to promote development of its mineral resources through exploration and through the operation of mining enterprises. The Government understands the high risk associated with exploration and the substantial expenditures required to ensure effective and economical mining operations. The Government desires to encourage Ausjam to assume the risk corresponding to the outlay of money and is willing to define policies and to take necessary measures in furtherance of this objective.

(B) Ausjam, and its joint venture partner, ORVANA MINERAL CORPORATION operating through its subsidiary Clarendon Mining Limited (herein after called "Orvana"), have the technical and financial capabilities and resources to perform a programme of mineral exploration, development, processing and marketing as envisioned by the parties.

(C) The Government and Ausjam now desire to set forth the conditions and understandings of the Parties providing for Ausjam to actively conduct a programme of mineral exploration, development, exploitation, processing and marketing of discovered minerals.

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED as hereinafter set forth:

INTRODUCTORY PROVISIONS

1. The purpose of this Agreement is to establish the legal framework and determine the economic, judicial, administrative, fiscal, environmental and social conditions within which Ausjam may conduct mineral exploration, mining operations, and marketing of mineral products within Jamaica.

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2. The present Agreement will form the basis for Ausjam's activities and shall not be in any way modified or changed during the term of this Agreement other than by an addendum in writing signed by both Parties.

GENERAL PROVISIONS

ARTICLE 1 **DEFINITIONS**

The following terms will have the following meanings when used in this Agreement, unless the context requires otherwise:

1.1 "**Affiliate**" means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, or is controlled by, or under common control with a Party. For purpose of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contracts, voting trust or otherwise.

1.2 "**Agreement**" means this Agreement and its Schedules, Exhibits, attachments, and amendments which may from time to time be agreed upon in writing signed by the Parties hereto.

1.3 "**Commissioner**" means any person appointed under the Mining Act as Commissioner of Mines.

1.4 "**Dollars**" and sign "**$**" mean United States Dollars.

1.5 "**Effective Date**" means the date specified in Article 13.

1.6 "**Force majeure**" shall include war, revolution, invasion, insurrection, civil disorders, acts of God, compliance with any laws and orders of the Jamaican Government or any subdivision thereof, which may be imposed subsequently to the extent that it affects the viability of the operation.

1.7 "**Jamaican Dollar**" and "**J$**" mean Jamaican Dollars.

1.8 "**Mine**" means the same as defined in the Mining Act of Jamaica

1.9 "**Minerals**" shall, for the purposes of this Agreement, mean Gold and any other mineral or minerals which the Government may from time to time authorize Ausjam to prospect for and or mine in accordance with the Mining Act.

1.10 "**Mining Act**" means the Mining Act of Jamaica.

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1.11 "**Minister**" means the Minister responsible for Mining.

1.12 "**Operator**" means Ausjam as well as any Affiliate of Ausjam or any other legal entity designated by Ausjam to conduct exploration or operations pursuant to this Agreement.

1.13 "**Party**" means the Government or Ausjam. "**Parties**" means the Government and Ausjam.

1.14 "**Product**" means the ore, concentrate, leach liquor, bullion, or other first saleable product from Minerals processed or produced from the Mine.

1.15 "**Subcontractor**" means any company, entity or individual not affiliated with Ausjam and working in Jamaica exclusively for the account of Ausjam within the framework of this Agreement.

ARTICLE 2 TERMS

2.1 The initial term of this Agreement shall be 5 years from the Effective Date, unless sooner surrendered or otherwise terminated.

2.2 If at the end of the initial term Ausjam is actively engaged in exploration, development, mining, or marketing of Minerals or Products pursuant to a Prospecting License or Mining Lease and has so far complied with the terms and conditions of the said Prospecting Licence or Mining Lease, the Mining Act and this Agreement, then the term of this agreement may be extended for an additional period to be determined by the Government in accordance with the Laws of Jamaica.

ARTICLE 3 RESPONSIBILITIES OF THE GOVERNMENT

3.1 Upon the effective date of this Agreement the Government shall in accordance with the Mining Act, grant to Ausjam a Special Mining Lease as shall be required for Ausjam to carry out its Mining operations under this Agreement.

3.2 The Government will use its best endeavours to facilitate all exploration, development, mining, and marketing activities which the Parties hereto have agreed will be undertaken by Ausjam, pursuant to this Agreement, including but not limited to the accomplishing of any formalities, the acquisition of any right, surface right, or passageway necessary for carrying out its activities in accordance with the Law then in effect, accomplishing of any customs formalities for the importation of material and equipment necessary for Ausjam's activities and for the entry and residency in Jamaica of personnel and Subcontractors employed by or for Ausjam.

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3.3 The Government will make available to Ausjam any data or geological or technical information concerning lands and minerals under prospecting license or mining lease to Ausjam.

3.4 The Government will grant and or use its best endeavours to secure to Ausjam, its employees, agents, Affiliates, and Subcontractors, in a timely manner all licenses, permits, authorizations, orders or such other approvals as are necessary and or appropriate to enable Ausjam to perform its obligations and exercise its rights under this Agreement provided that they qualify for any such licences, permits, authorizations, orders or approvals.

3.5 Subject to any law which may be in force from time to time the Government will not limit or restrict:

(a) the entry, residence or the exit of any personnel, employees, agents or Subcontractors of Ausjam or an Affiliate of Ausjam, as well as the families of such persons together with their personal belongings;

(b) the hiring or termination of any person, employee, agent or Subcontractor of Ausjam or an Affiliate of Ausjam, whatever their nationality or the nature of their professional qualifications;

(c) the free choice of suppliers and Subcontractors;

(d) the importation of merchandise, materials, equipment, machines, spare parts and consumable goods pertinent to the process of winning gold; and

(e) the circulation through Jamaica of equipment and goods set forth above as well as any substances or products stemming from activities of research and exploration.

3.6 The Government will in accordance with the Laws of Jamaica grant work permits for such time as may be necessary to technical, administrative, and such other personnel which Ausjam may reasonably require for the implementation of this Agreement and which are not available locally.

3.7 The Government will in accordance with the provisions of the Mining Act lease to Ausjam the surface to any lands falling within the perimeter of the area subject to a Mining Lease or Prospecting Licence under this Agreement, or use its best endeavours to secure to Ausjam title of or the right to occupy same.

3.8 Ausjam shall be entitled to such easements, rights of passageway, or other rights of access over lands belonging to the Government which may reasonably be required by Ausjam for exploration, drilling, plant facilities, railroads, roads, power and

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(d) conduct all operations and activities in accordance with the prevailing industry standards.

4.3 Ausjam will inform the Government in a timely and opportune manner as to its plans and progress, in accordance with the Mining Act and will co-ordinate its activities with the Government and those agents of the Government charged with the implementation of this Agreement.

4.4 Ausjam will indemnify the Government against all valid claims (including claims for compensation for disturbance) caused to third parties in relation to damage or injury arising as a direct consequence of the mining operation of Ausjam within the mining area by virtue of this Agreement.

4.5 Ausjam shall obtain at its own cost all statutory and other consents and authorization.

4.6 Ausjam will be permitted to control the disposition of the Mineral and Product recovered under its Mining Lease and will be free to choose, the type and nationality of purchaser, and quantity of Mineral or Product to be sold to each purchaser, and the terms and conditions of sale. Ausjam, in its sole discretion, may sell Product in a refined or unrefined state, enter into tolling agreements, and enter into short, medium, or long-term sales agreements with particular buyers as well as selling product on a spot basis, provided that all sales shall be at arms length.

ARTICLE 5 TENEMENT OPERATIONS

5.1 Provided that Ausjam has made a good faith determination to carry on bona fide mining operations, as required by Section 36(1) of the Mining Act, and has made application to the Minister for a Mining Lease on those lands falling within the area of proposed operations, then the Minister will grant such Mining Lease to Ausjam.

5.2 The Minister may, upon reasonable request made by Ausjam, and in accordance with the Mining Act, include by endorsement on any lease, the permission to mine other minerals.

5.3 Subject to any law which may be in force from time to time, the Government will place no restriction on the movement of any funds by Ausjam between Jamaica and any other country in connection with its operation under this Agreement.

5.4 Ausjam may in accordance with the provisions of the Mining Act, surrender a Mining Lease at any time.

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ARTICLE 6 **SOCIAL AND ECONOMIC REQUIREMENTS**

6.1 Ausjam and its Subcontractors will use to the full extent possible, services and raw materials coming from Jamaica, as well as products made in Jamaica to the extent that these services and products are available under competitive prices, quality, guarantee and delivery times and provided that Ausjam and its Subcontractors are satisfied that the Jamaican supplier can fulfil Ausjam's requirements.

6.2 Ausjam and its Subcontractors will:

(a) give preference to the employment of personnel from Jamaica as long as they are qualified to do the job.

(b) put into effect a programme for training and promoting personnel from Jamaica.

ARTICLE 7 **FINANCIAL REQUIREMENTS**

7.1 Subject to any law which may be in force from time to time the Government guarantees to Ausjam, its Affiliates and Subcontractors, the following financial rights during the term of this Agreement and any Mining Lease:

(a) the right to freely convert and transfer Jamaican related funds into Dollars, without restriction or limitation, for the payment of obligations, debts, including principal and interest, to pay suppliers and creditors of every kind;

(b) the right to freely convert into Dollars and transfer abroad net profits for the purpose of paying dividends, distributing profits, repayment of financial obligations obtained from non-Jamaican sources, to include repayments to Affiliates of Ausjam and for any other purpose Ausjam would consider appropriate;

(c) the right to freely convert into Dollars and transfer all funds resulting from the liquidation of assets situated in Jamaica.

7.2 The Government hereby guarantees to Ausjam the right to transfer to and to store in any foreign country it desires, in Dollars or any other convertible currency, all revenue generated from its activities and operations in Jamaica after it's liabilities in Jamaica are met.

7.3 Subject to any law which may be in force from time to time, the Government guarantees the right to freely convert to Dollars and transfer to foreign countries the assets of expatriated personnel of Ausjam, its Affiliates and Subcontractors, together with the proceeds from their salaries or the liquidation of their investments and other

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assets in Jamaica. The Government guarantees to Ausjam and hereby authorizes the expatriated personnel of Ausjam residing in Jamaica the right to open bank accounts in Jamaican Dollars or other currencies in Jamaica and in foreign countries.

ARTICLE 8 TAXATION

8.1 Ausjam shall be given two (2) years tax holiday for the first two years of production in order to recover capital and development costs.

8.2 Following the period of exemption provided in Article 8.1 above and subject to the restrictions herein, the net taxable profit of Ausjam and its Affiliates will be determined according to the Tax Laws of Jamaica.

a. Fixed assets may be subject to an accelerated depreciation at successive annual rates of 50%

b. All products of the mine shall be sold at a fair market price and all transactions shall be at arms length.

8.3 The royalty payable to Government shall be determined in accordance with Section 45 of the Mining Act.

8.4 Ausjam will have the obligation or liability with respect to the payment of stamp duties, registration and recording fees, transfer taxes, levies, sanctions or other similar charges in respect of this Agreement, together with the transfer, conveyances and assignments of land and assets pursuant to any transfer of title which may occur as a consequence of this Agreement.

8.6 Affiliates of Ausjam shall be subjected to the Tax laws of Jamaica.

ARTICLE 9 CUSTOM, TARIFFS AND DUTIES

9.1 Ausjam, its agents, Affiliates and Subcontractors shall:

(a) Have the right to import as temporary importation, with a total suspension of all duties, taxes and other expenses collected upon the entry of any vehicle, instrument, equipment, material, replacement piece, machine or other movable goods that are susceptible to being reexported and are necessary for the conducting of mining and prospecting operations. In the event of the resale within Jamaica of the aforementioned goods, the customs taxes and duties shall be paid.

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(b) Have the right to import with an exemption of all customs duties, (except for a common external tariff (CET) of 5% on non CARICOM goods) taxes and other charges collected upon the entry of any consumables, raw materials, reagents, construction material, hydrocarbons or lubricants, equipment or other goods necessary for conducting the activities foreseen in this Agreement to the extent that these incentives are given to the bauxite companies.

(c) Not be liable for Consumption Tax on goods or services used directly in the mining or processing of minerals.

9.2 Expatriate employees of Ausjam, its Affiliates and Subcontractors, and their personal belongings will be exempt from any and all entry or exit tax, duty, custom or tariff (except for airport departure tax and 5% CET on non CARICOM goods); they will further have the right to import, hire or purchase vehicles which shall be exempt from all such tax, duty, custom or tariff (except for a CET of 5% on non CARICOM goods) provided that the vehicles imported, hired or purchased shall be used directly in the mining and processing operation and shall be pickups.

9.3 The Government will exempt Ausjam, its Affiliates and Subcontractors from export duty, levy or similar charges for all Minerals and Product they may export from Jamaica.

9.4 Ausjam, its Affiliates and Subcontractors, will be exempt from any export duties, taxes, contributions or other Government imposed charges which would otherwise arise from ceasing operations, production or business in Jamaica.

9.5 The Government will grant import licences to Ausjam and its Subcontractors under the Trade Law enabling them to import without restrictions all materials, plant, equipment and operating supplies which Ausjam may reasonably require for its operations. The Government will also grant export Licence to Ausjam, its Affiliates and Subcontractors, for the sale and shipment of Product and Minerals to locations outside Jamaica.

9.6 If Ausjam desires to engage a ship to transport Minerals or Product from Jamaica and any ship of Jamaican registry is offered that is suitable for that purpose on terms and conditions competitive in every way, including any registry or other requirements imposed by the country of destination, with those for other available ships, preference shall be given to such Jamaican ship. No other restriction will be placed on Ausjam's free choice of shipping. Notwithstanding this provision, Ausjam will always be free to use any ship owned by or under contract to it or any Affiliate of Ausjam.

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ARTICLE 10 **ENVIRONMENT**

10.1 Ausjam will act to ensure the protection of the environment , the restoring of surfaces disturbed and the neutralization of all liquid and solid waste in accordance with the laws of Jamaica and all terms and conditions stipulated by the Natural Resources Conservation Authority and other authorized agencies of the Government, with particular attention to public safety and to the nature and state of neighboring land, including underground and surface waters.

10.2 Ausjam shall restore the land disturbed for mining in accordance with the provisions of the Mining Act. Failure to do so will attract a fine to be levied by the Commissioner of Mines. In addition, Ausjam shall deposit with the Commissioner or post a bond for such sum as specified by the Commissioner as security for the mitigation of all environmental damages done to the air, land or water resources.

10.3 Ausjam will preserve, to the extent reasonably possible, the public infrastructure affected by its activities. Any deterioration beyond the normal usage of a public infrastructure which is clearly attributable to Ausjam will be repaired or reimbursed by Ausjam.

ARTICLE 11 **SETTLEMENT OF DISPUTES AND ARBITRATION**

11.1 The performance, interpretation and construction of this Agreement shall be determined by the laws of Jamaica.

11.2 (a) Any dispute or difference between the parties hereto which may arise from or in consequence of this Agreement shall, unless settled by mutual agreement of the parties or by conciliation procedures agreed to by the parties, be referred for settlement by Arbitration in accordance with this Article to the exclusion of any other remedy as a condition precedent to any action in any Court.

(b) For purposes of this Article the term "parties" shall include the Government and any agency, instrumentality or subdivision thereof, Ausjam and any affiliated company having rights or obligations under this Agreement.

11.3 **Arbitration Procedures**

(a) Any dispute described in Article ll.2 above which shall be referred for settlement by arbitration shall be referred to an Arbitral Tribunal consisting of three (3) arbitrators, one arbitrator appointed by each party hereto and the third arbitrator, who shall be Chairman of the Arbitral Tribunal appointed by agreement of the parties. The Chairman shall not be closely connected with, or

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be a national of either Australia, Canada or Jamaica, and shall be a person of recognized standing in jurisprudence and international arbitration. Either party wishing to institute an arbitration proceeding under this Article shall address a written notice to that effect to the other party. Such notice shall set out the place of Arbitration in accordance with this Article and shall contain a statement setting forth the nature of the dispute to be submitted to arbitration and the nature of the relief sought by the party instituting the arbitration proceedings. The date of such notice shall determine the date of institution of arbitration under this Article. Pending the making of a decision or award of the Arbitral Tribunal, continuance of operations or activities shall not prejudice the claim of either party to the dispute.

(b) If, within forty-five (45) days after the date of institution of arbitration under this Article, the parties have not agreed upon the arbitrator who will be the Chairman, or if either party shall have failed by written notice to appoint an arbitrator, then such arbitrator or arbitrators or the Chairman shall be appointed by the President for the time being of the International Court of Justice. If the President is a national of the Contracting Party or is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or is prevented from discharging the said function, the Member of the International Court of Justice next in seniority, who is not a national of either Contracting Party, shall be invited to make the necessary appointments.

(c) In case any arbitrator appointed in accordance with this Article shall fail to accept his appointment, resign, die, otherwise fail or be unable to act, a successor arbitrator shall be appointed in the same manner prescribed for the appointment of the arbitrator or Chairman whom he succeeds, and such successor shall have all powers and duties of his predecessor .

(d) In the event of arbitration:

(i) the arbitration will be held in Washington, D.C., unless the parties mutually agree otherwise;

(ii) the arbitration will be conducted in English;

(iii) the Arbitral Tribunal shall convene at such times as shall be fixed by the Chairman.

(e) The Arbitral Tribunal shall decide all questions relating to its jurisdiction and competence and, subject to the provisions of this Article and except as the parties shall otherwise agree, the Arbitral Tribunal shall determine its

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procedure. All decisions of the Arbitral Tribunal shall be by majority of the votes of all of its members.

(f) The failure of a party to appoint arbitrator, to appear or to present its case shall not prevent or hinder the Arbitral Tribunal from dealing with the operations submitted to it or from rendering an award. The Arbitral Tribunal shall, if requested by a party to the dispute, determine any incidental or additional claims or counter-claims arising out of the subject matter of the dispute or grant provisional relief or issue interlocutory orders to mitigate damages or prevent irreparable injury.

(g) Subject to the provisions of this Article, the Arbitral Tribunal shall decide all disputes in accordance with the United Nations Commission on International Trade Law Arbitration Rules (UNCITRAL Arbitration Rules).

(h) An award in writing signed by a majority of the Arbitral Tribunal shall constitute the award of such Arbitral Tribunal. The award shall deal with the questions submitted to the Arbitral Tribunal and shall state the reasons upon which it is based. In case the decisions or award of the Arbitral Tribunal recognizes that a complainant was justified, provision may be made in such decisions or award for such reparation as may appropriately be made in favour of the complainant. Signed counterparts of the award shall be transmitted by the Arbitral Tribunal to each party. The Arbitral Tribunal shall not publish its award to third parties without the consent of the parties hereto. Each party, shall in good faith, abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with this Article. An award rendered in accordance with this Article shall be final, conclusive and legally binding upon the parties to this Agreement.

(i) If, within sixty (60) days after counterparts of the award are transmitted to the parties, the award shall not be complied with, any party may enter judgment upon, or institute proceedings to enforce the award in any Court of competent jurisdiction against any other party, may enforce such judgement by execution or may pursue any other appropriate remedy or proceeding against such other party for the enforcement of the award and the provisions of this Agreement, and the parties expressly and irrevocably waive the right to invoke or avail themselves of any privilege or immunity from jurisdiction or the execution or enforcement of such award or judgment, where such jurisdiction otherwise attaches.

(j) The Arbitral Tribunal shall determine the fees and expenses of its members. Each party to the dispute shall defray its own expenses in the arbitral proceeding. The costs of the arbitral proceedings and the procedure for payment of such costs shall be determined by the Arbitral Tribunal. The

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Arbitral Tribunal shall decide how and by whom the fees and expenses of its members and the cost of the Arbitral proceedings shall be paid. Such decision shall form a part of the award.

11.4 **Continuing Effectiveness**

Notwithstanding the termination or expiration of this Agreement, the provisions of this Article shall continue in full force and effect with respect to any arbitration proceeding instituted prior to the expiration of two (2) years after any termination or expiration of this Agreement.

ARTICLE 12 **MISCELLANEOUS**

12.1 **Applicable Law**

This Agreement will be governed by the laws of Jamaica, except as otherwise provided for in this Agreement. The Government hereby represents that this Agreement is authorized by the laws of Jamaica.

12.2 **Force Majeure**

(a) If either Party shall be prevented by Force Majeure from timely performance of any of its obligations under this Agreement, the failure of performance shall be excused and the period for performance and the affected term(s) of this Agreement shall be extended for an additional period equal to the duration of the Force Majeure. Upon the occurrence and upon the termination of any Force Majeure, the affected Party shall promptly notify the other.

(b) The Parties will use reasonable diligence to remedy a Force Majeure, but shall not be required against their better judgement to settle any labour dispute or settle differences with third parties, including social conflict, unless the settlement is rendered mandatory following a definitive arbitral decision pursuant to Article 11. The Government and Ausjam agree to co-operate in order to settle any social conflict which might arise.

12.3 **Notices**

Any communication or notices set forth in the Agreement shall be made by registered mail or private courier and evidenced by a return receipt, or by telefax transmission confirmed by registered letter and evidenced by returned receipt, and addressed as follows:

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To the Government:

Ministry of Agriculture and Mining
Attention: Commissioner of Mines
Hope Gardens
Kingston 6, Jamaica
West Indies.

To Ausjam:

Ausjam Mining Pty Ltd.
12-14 Oxford Terrace
Kingston 5
Fax: 960-1968

12.4 **Confidentiality**

All information obtained by the Government and Ausjam during and arising out of activities pursuant to this Agreement shall be kept strictly confidential by the Government and Ausjam and shall not be released to any third person except upon the prior written consent of the Government and Ausjam.

12.5 **Modifications & Construction**

(a) No release, amendment, alteration, modification or interpretation of this Agreement shall be binding upon the Parties unless in writing and executed by a duly authorized officer or representative of each of the Parties.

(b) The titles and headings have been inserted for convenience only and in no way define, limit or describe the scope and intent of this Agreement or otherwise control or affect this Agreement.

(c) The invalidity of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement. If a Party considers itself seriously injured by such invalidity, it can request the revision of the affected provision of the Agreement. The Parties will, in good faith, attempt to come to an equitable solution.

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12.6 **Further Assurances**

Each Party shall execute such further documents, and perform such further acts, as may be necessary, in the reasonable judgement of legal counsel for the other party to consummate, effect and confirm the transactions contemplated by this Agreement.

ARTICLE 13 EFFECTIVE DATE

13.1 The Effective Date of This Agreement shall be the last date upon which each of the following conditions precedent have been completed:

(a) Approval of the Agreement by the ministries, cabinet, parliament, and any other Government Authority.

(b) Approval of the Agreement by Ausjam, as evidenced by its corporate seal and governmental authority, if required; evidence of such governmental approval is by the document attached hereto as Schedule C.

(c) Ausjam, through its authorized signatory, has executed the Agreement.

ARTICLE 14 TERMINATION OF AGREEMENT

14.1 This Agreement may be terminated by either Party by six (6) months' notice in writing to the other Party.

14.2 In the event of this Agreement being determined whether by Notice, effluxion of time or otherwise:

(a) Ausjam shall immediately pay to the Government all arrears of Royalties and any other sums due under the terms of this Agreement;

(b) Ausjam shall remain liable to perform its obligations pursuant to Article 10 above;

(c) Each party shall remain liable to perform all its outstanding liabilities under this Agreement;

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(d) Each party shall be liable to pay the other Damages for any breach of this Agreement and all expenses and costs incurred by that Party in enforcing its rights under this Agreement; and

(e) Ausjam shall be permitted to remove all its apparatus and equipment which may have been placed by it upon the area associated with the mining operation, in accordance with the terms of the Mining Act.

SIGNED BY THE PARTIES HERETO AT THE PLACE AND ON THE DATE SHOWN BELOW:

By GOVERNMENT

Government of Jamaica

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represented by the Hon. Horace Clarke
Minister of Agriculture & Mining

Signed on:----------

Signed at:----------

By AUSJAM

Ausjam Mining Pty Ltd.

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represented by
Director

Signed on:----------

Signed at:----------

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THE MINING REGULATIONS, 1947
SPECIAL MINING LEASE NO. 150

WHEREAS:

(1) An application has been made by Clarendon Mining Limited and AUSJAM Mining Limited jointly, as Lessees for a Special Mining Lease in relation to its plans to mine for gold; and

(11) The Minister is satisfied that the conditions in Section 45(1) of the Mining Act, are fulfilled and has determined therefore to grant a Special Mining Lease pursuant to the aforesaid application.

This Special Mining Lease is therefore granted to Clarendon Mining Limited and Ausjam Mining PTY Limited each in its capacity in the partnership formed (hereinafter called "Lessees") for the purpose of mining gold in, under or upon approximately l2.98 square kilometres of land at Main Ridge in the parish of Clarendon, Jamaica, as delineated on the plan annexed hereto for a term of ten (l0) years from the .....day of.....l997, subject to the provisions of the Mining Act now in force, save as hereinafter negatived, varied or modified, as well as to any Regulations now in force or which may come into force during the continuance of this Special Mining Lease and relating to the safe working of the mines or to the health or welfare of the persons employed therein, and subject also to the following special conditions.

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1. The Lessees hereby covenant and agree that they shall acquire lands within the mining lease before commencement of mining on such lands.

2. The Lessees shall submit to the Commissioner of Mines not later than the date of the commencement of mining, a detailed Mining Plan covering the projected life of the mine or a period of two years, whichever is longer. The lessees shall promptly advise the Commissioner of Mines of any material change in the mining plan.

3. A reclamation bond shall be posted with the Commissioner of Mines prior to commencement of mining. The amount of this bond will be determined by the Commissioner of Mines.

4. An emergency plan shall be developed in consultation with the Ministry of Health, the Chapelton Hospital and the Office of Disaster Preparedness and Emergency Relief Co-ordination and be approved by the Commissioner of Mines, before the commencement of any leaching or treatment of the ore.

5. The Lessees shall keep, to the satisfaction of the Commissioner of Mines, proper books and records showing the amount of mineral won and the price at which it was disposed of.

6. A monthly return shall be submitted to the Commissioner of Mines setting out the quantity of mineral won, its value and how it has been disposed of.

7. Royalty shall be at a rate of four and one quarter percent (4 1/4%) of Gross Revenue for the first two years of production , a revision will thereafter be made by endorsement to reflect any adjustment.

8. The Lessees shall maintain detailed records of all prospecting carried out within this Special Mining Lease area and, together with each report furnished under Regulation 37 (l) (ii) of the Mining Regulations, 1947, shall furnish the Commissioner of Mines with the following:

(a) drilling assay data resulting from prospecting and development drilling;

(b) maps showing the location and depth of holes drilled and sample intervals; and

(c) representative portions of any such drill samples taken for orebodies which have not yet been mined out as may be requested in writing by the Commissioner of Mines from time to time.

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9. Failure of the Lessees to fulfill any of the terms and conditions of this Special Mining Lease shall not give the Government of Jamaica any claim against the Lessees or be deemed a breach of this Special Mining Lease in so far as such failure arises from force majeure, as defined in the 1997 Agreement.

10. The granting of this Mining Lease does not relieve the Lessees or either of them or any person acting as its or their agent, or on their direction or with their approval from any liability due to harm or injury to human health or welfare, animal or plant life, or property caused by the construction or operation of this permitted facility.

11. The Minister covenants not to grant any other person firm or company the right either on its own account or on behalf of any person other than the Lessees to mine or work any gold or associated minerals within lands the subject of this Mining Lease.

12. Where any spillage or occurrence causes or is likely to cause serious harm or injury to Flora and or Fauna, during the course of any activity authorized or contemplated under the terms of this Special Mining Lease, the Lessees shall as soon as possible, and in any event not later than twenty four (24) hours thereafter, report such occurrence to the Commissioner of Mines and, where appropriate to the Office of Disaster Preparedness and Emergency Relief Co-ordination.

13. The Lessees shall, on completion of mining operations, retain and rehabilitate areas mined or make any appropriate alterations to meet land use demands as approved by the Commissioner of Mines.

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14. This mining lease shall be read and construed as one with any Agreement entered into between the Government of Jamaica and the Lessees, provided, however, that in any conflict between this Lease and any Agreement the provisions of the Lease shall prevail.

Dated the.....day of.....1997

.....
Minister

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PLAN

DELINEATION OF AREA ML 150

An area of approximately 2.98 km² in the Main Ridge region of the parish of Clarendon.

LOCATION BEACON	-	consists of metal sign and is situated approximately at the intersection of false coordinates 440 000 North 434 000 East on sheet G 12 NE of the topographical map of Jamaica.
FIRST CORNER	-	is situated approximately at the intersection of the false coordinates 444 000 North and 442 000 East approx-mately 2438 metres from the location beacon on an approximate grid bearing of 90 degrees.
SECOND CORNER	-	is situated approximately at the intersection of the false coordinates 440 000 North and 442 000 East approx-mately 1392 metres from the first corner on an approximate grid bearing of 180 degrees.
THIRD CORNER	-	is situated approximately at the intersection of the false coordinates 440 000 North and 434 000 East approx-mately 2438 metres from the second corner on an approximate grid bearing of 270 degrees and is 1392 metres to the location beacon on an approximate grid bearing of 360 degrees..

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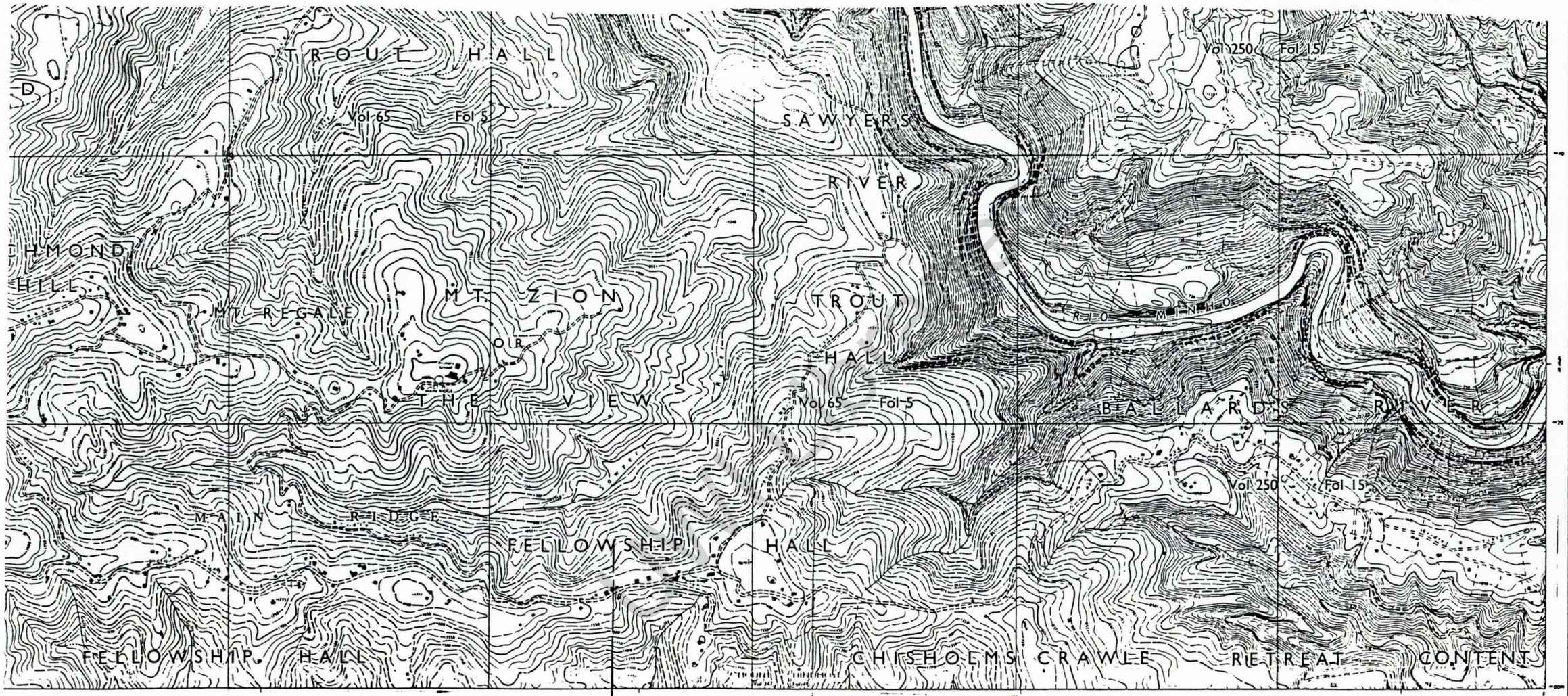

SCALE 1:5,000

GRID INTERVAL 2,000 FEET

SHEET G12NE

SHEET INDEX		SHEET G	
NW	NE	NW	NE
SW	SE	SW	SE
7		8	
NW	NE	NW	NE
SW	SE	SW	SE
12		13	

Projection	Lambert Conical Orthomorphic with one standard parallel
Spheroid	Clarke 1880
Origin	18°00' North 77°00' West of Greenwich
False Co-ordinates of Origin	550 000 feet Eastings 400 000 feet Northings

This map was compiled by photogrammetric methods and drawn by

FAIREY SURVEYS LTD.
REFORM ROAD, MAIDENHEAD,
BERKSHIRE, ENGLAND.

Photography dated April, 1961 supplied by

DIRECTOR OF SURVEYS, JAMAICA.

HEIGHTS IN FEET ABOVE MEAN SEA LEVEL

PUBLISHED BY SURVEY DEPARTMENT JAMAICA W.I.

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SUBMISSION TO THE DEVELOPMENT COUNCIL

The Central Inlier Gold Project

Submitted for the consideration of the Development Council are a draft agreement between the Government and Ausjam Mining Pty. Ltd. and a draft Special Mining lease in favour of that company.

Background

2. Gold, like all other minerals occurring on Jamaican land, is the property of the Crown, that is to say, the Government of Jamaica. The Government as owner may grant exploration licences to anyone to prospect for minerals. Prospectors may then be granted mining leases to take possession of the specified mineral throughout the area of the mining lease.

3. The first entity to have taken up the search for gold on this project was Jamaica Mining Company Ltd., an exploration company whose principal is Mr. Stephen Wallace, a Canadian who has done extensive exploration work in Jamaica. This company, not being itself a mining company, passed on the gold prospect to **BHP Utah,** the American subsidiary of Broken Hill Property of Australia. It turned out that **BHP Utah** considered the indicated amount of gold to have been too small for its purposes and passed the project on to the Orvana company of Vancouver, Canada for completion of the operation programme. Orvana, not being a mining company, then passed the fully evaluated gold prospect on to Ausjam Pty Ltd. of Victoria, Australia for mining. This Australian company registered a company in Jamaica called Ausjam Mining Pty Lty. This is the company now seeking an agreement with the Government to mine the gold deposit.

4. Two of the companies which preceded Ausjam Mining on this project, entered into royalty arrangements with Ausjam whereby annual payments are made to them by Ausjam both prior to and during mine production. This is an arrangement whereby annuities rather than one-off payments are made to the precedent companies in consideration of the work

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done by them and the value of information which they were able to put together in terms of ore reserve estimates. This means that Ausjam has to face these payments as costs chargeable to mine production before profits. In this regard, these costs affect the profitability of the project, making it less likely for profits to be declared and for corporate taxes to be payable. It also has an impact on the amount of royalty which may be reasonably recoverable by Jamaica. The making of annuity arrangements between prospectors and the mining companies which succeed them is common practice in Canada. In that country, small exploration companies take the risk of making expenditure on mineral searches. Whenever promising prospects are located and quantified, these are passed on to bigger companies which carry out the mining operations and reward the prospector with a percentage of the production. The Ministry of Agriculture and Mining will be studying this practice in greater detail and will be putting policy proposals together for future reference as to whether an upper limit ought to be place on the aggregate amount that can be paid out to any line-up of prospecting companies which may have participated in the search for minerals in Jamaica. Of course one ought to be careful that the policy arrived at, should not discourage the search for minerals by local or foreign prospecting companies.

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THE DEPOSIT

5. The gold deposit is located at Main Ridge near Morgan's Valley in Clarendon. The reserves have been estimated at 35,000 ounces of gold in tonnes of rock or just under half an ounce gold per tonne of rock. This is a small deposit. The value of this small mine to Jamaica lies, not so much in the direct monetary returns, but more in the enlistment of Jamaica among the gold-producing countries of the world. More prospecting dollars will be spent here, both in the same Main Ridge area and in other areas to discover additional deposits of gold.

6. The location of the deposit will necessitate the upgrading of public roads, the extension of power lines and the extension of water mains, all at the cost of the project.

AUSJAM'S REQUESTS

8. Ausjam Mining Pty Ltd. has indicated that the 82,500 tonnes of ore is intended to be completely mined within a period of two years. The company will nevertheless be carrying out further searches and hopes to find additional reserves. The Special Mining Lease has thus been given a life of five years and the royalty arrangements are subject to review after two years. The royalty rate of 4.25% of gross proceeds for the Government is higher than the regular rate of 3.5% because no corporate taxes are expected from this two-year operation. The value of the 35,000 ounces of recoverable gold will be such as to require duty-free importation of capital goods and raw materials as well as exemption from consumption duties. The company has also requested that certain rights and obligations on the parts of both itself and the Government be spelt out in a document of mutual agreement. Such a document was drafted jointly by the company and the Commissioner of Mines. It was reviewed by the Ministry and subsequently submitted to the Attorney General for his opinion. The final form of this document entitled "Government of Jamaica-Ausjam Mining Pty. Ltd. Agreement" has met with the approval of the Attorney General and is agreeable to both the Ministry of Agriculture and Mining and Ausjam Mining Pty. Ltd. It covers a period of ten years and will be in force to cover any additional prospecting or mining operations at the Main Ridge site.

9. The contents of the Government-Ausjam Agreement were arrived at after extensive negotiations between the Ministry and the company and after certain modifications made by the Attorney General. The company would have wished to enjoy greater benefits and the Ministry would have gone for higher revenues except that in the final analysis, we had to strike a balance to enable the project to proceed. Ausjam will still have to obtain US$2,500,000 in financing for the project.

Cost-Benefit Considerations

10. The 35,000 ounces of gold to be recovered from this project carries a gross value of approximately US$12 million, at US$340 per ounce. The following costs are thought to be realistic estimates:

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Costs per Tonne US$

Capital	$15
Mining	$21
Land Rehab	$ 1
Admin	$12
Sunk Cost	$12 (already incurred by Ausjam)
	US$76 per tonne

Total cost = 82,000 x 76 = US$6,270,000

Net Smelter return (NSR) = US$11,900,000 - 6,270,000 = US$5,630,00

Payables

Royalty of 5% of NSR to Jamaica Mining Company	= US$281,500
Royalty of 71/2 of NSR to BHP Utah	= 422,250
Royalty 4.25% of Gross to Government of Jamaica	= 505,750
Net returns to Ausjam/Clarendon Mining	=US$ 4,397,050

From these net returns, Ausjam will have to meet the cost of capital in terms of either interest or percentage of net proceeds.

10. The actual mining of the deposit will be done by a local contractor.

11. There will be the direct employment of 25 persons, fifteen of whom are expected to be local. This is in addition to local personnel to be hired during the construction phase.

12. Total financial benefits to the local economy in terms of mining, milling, land rehabilitation, wages and salaries and personal income taxes, are expected to exceed US$6 million.

Approval

13. The Development Council is requested to approve of the agreement and the terms of the Special Mining attached.

HORACE A. CLARKE

Minister of Agriculture and Mining

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GOVERNMENT OF JAMAICA-AUSJAM MINING PTY. LTD. AGREEMENT

Central Inlier Gold Project

THIS AGREEMENT is made on the_____day of _____, 1997 between
THE GOVERNMENT OF JAMAICA acting through the Ministry responsible for mining (hereinafter called the "Government"), and
AUSJAM MINING PTY LTD (hereinafter called "Ausjam").

RECITALS

Whereas:

(A) The Government in the national interest desires to promote development of its mineral resources through exploration and through the operation of mining enterprises. The Government understands the high risk associated with exploration and the substantial expenditures required to ensure effective and economical mining operations. The Government desires to encourage Ausjam to assume the risk corresponding to the outlay of money and is willing to define policies and to take necessary measures in furtherance of this objective.

(B) Ausjam, and its joint venture partner, ORVANA MINERAL CORPORATION operating through its subsidiary Clarendon Mining Limited (herein after called "Orvana"), have the technical and financial capabilities and resources to perform a programme of mineral exploration, development, processing and marketing as envisioned by the parties.

(C) The Government and Ausjam now desire to set forth the conditions and understandings of the Parties providing for Ausjam to actively conduct a programme of mineral exploration, development, exploitation, processing and marketing of discovered minerals.

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED as hereinafter set forth:

INTRODUCTORY PROVISIONS

1. The purpose of this Agreement is to establish the legal framework and determine the economic, judicial, administrative, fiscal, environmental and social conditions within which Ausjam may conduct mineral exploration, mining operations, and marketing of mineral products within Jamaica.

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2. The present Agreement will form the basis for Ausjam's activities and shall not be in any way modified or changed during the term of this Agreement other than by an addendum in writing signed by both Parties.

GENERAL PROVISIONS

ARTICLE 1 **DEFINITIONS**

The following terms will have the following meanings when used in this Agreement, unless the context requires otherwise:

1.1 "**Affiliate**" means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, or is controlled by, or under common control with a Party. For purpose of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contracts, voting trust or otherwise.

1.2 "**Agreement**" means this Agreement and its Schedules, Exhibits, attachments, and amendments which may from time to time be agreed upon in writing signed by the Parties hereto.

1.3 "**Commissioner**" means any person appointed under the Mining Act as Commissioner of Mines.

1.4 "**Dollars**" and sign "**$**" mean United States Dollars.

1.5 "**Effective Date**" means the date specified in Article 13.

1.6 "**Force majeure**" shall include war, revolution, invasion, insurrection, civil disorders, acts of God, compliance with any laws and orders of the Jamaican Government or any subdivision thereof, which may be imposed subsequently to the extent that it affects the viability of the operation.

1.7 "**Jamaican Dollar**" and "**J$**" mean Jamaican Dollars.

1.8 "**Mine**" means the same as defined in the Mining Act of Jamaica

1.9 "**Minerals**" shall, for the purposes of this Agreement, mean Gold and any other mineral or minerals which the Government may from time to time authorize Ausjam to prospect for and or mine in accordance with the Mining Act.

1.10 "**Mining Act**" means the Mining Act of Jamaica.

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1.11 "**Minister**" means the Minister responsible for Mining.

1.12 "**Operator**" means Ausjam as well as any Affiliate of Ausjam or any other legal entity designated by Ausjam to conduct exploration or operations pursuant to this Agreement.

1.13 "**Party**" means the Government or Ausjam. "**Parties**" means the Government and Ausjam.

1.14 "**Product**" means the ore, concentrate, leach liquor, bullion, or other first saleable product from Minerals processed or produced from the Mine.

1.15 "**Subcontractor**" means any company, entity or individual not affiliated with Ausjam and working in Jamaica exclusively for the account of Ausjam within the framework of this Agreement.

ARTICLE 2 TERMS

2.1 The initial term of this Agreement shall be 5 years from the Effective Date, unless sooner surrendered or otherwise terminated.

2.2 If at the end of the initial term Ausjam is actively engaged in exploration, development, mining, or marketing of Minerals or Products pursuant to a Prospecting License or Mining Lease and has so far complied with the terms and conditions of the said Prospecting Licence or Mining Lease, the Mining Act and this Agreement, then the term of this agreement may be extended for an additional period to be determined by the Government in accordance with the Laws of Jamaica.

ARTICLE 3 RESPONSIBILITIES OF THE GOVERNMENT

3.1 Upon the effective date of this Agreement the Government shall in accordance with the Mining Act, grant to Ausjam a Special Mining Lease as shall be required for Ausjam to carry out its Mining operations under this Agreement.

3.2 The Government will use its best endeavours to facilitate all exploration, development, mining, and marketing activities which the Parties hereto have agreed will be undertaken by Ausjam, pursuant to this Agreement, including but not limited to the accomplishing of any formalities, the acquisition of any right, surface right, or passageway necessary for carrying out its activities in accordance with the Law then in effect, accomplishing of any customs formalities for the importation of material and equipment necessary for Ausjam's activities and for the entry and residency in Jamaica of personnel and Subcontractors employed by or for Ausjam.

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3.3 The Government will make available to Ausjam any data or geological or technical information concerning lands and minerals under prospecting license or mining lease to Ausjam.

3.4 The Government will grant and or use its best endeavours to secure to Ausjam, its employees, agents, Affiliates, and Subcontractors, in a timely manner all licenses, permits, authorizations, orders or such other approvals as are necessary and or appropriate to enable Ausjam to perform its obligations and exercise its rights under this Agreement provided that they qualify for any such licences, permits, authorizations, orders or approvals.

3.5 Subject to any law which may be in force from time to time the Government will not limit or restrict:

(a) the entry, residence or the exit of any personnel, employees, agents or Subcontractors of Ausjam or an Affiliate of Ausjam, as well as the families of such persons together with their personal belongings;

(b) the hiring or termination of any person, employee, agent or Subcontractor of Ausjam or an Affiliate of Ausjam, whatever their nationality or the nature of their professional qualifications;

(c) the free choice of suppliers and Subcontractors;

(d) the importation of merchandise, materials, equipment, machines, spare parts and consumable goods pertinent to the process of winning gold; and

(e) the circulation through Jamaica of equipment and goods set forth above as well as any substances or products stemming from activities of research and exploration.

3.6 The Government will in accordance with the Laws of Jamaica grant work permits for such time as may be necessary to technical, administrative, and such other personnel which Ausjam may reasonably require for the implementation of this Agreement and which are not available locally.

3.7 The Government will in accordance with the provisions of the Mining Act lease to Ausjam the surface to any lands falling within the perimeter of the area subject to a Mining Lease or Prospecting Licence under this Agreement, or use its best endeavours to secure to Ausjam title of or the right to occupy same.

3.8 Ausjam shall be entitled to such easements, rights of passageway, or other rights of access over lands belonging to the Government which may reasonably be required by Ausjam for exploration, drilling, plant facilities, railroads, roads, power and

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communications lines, pipelines and other rights of way in accordance with the Mining Act.

3.9 The Government will in accordance with the provisions of the Mining Act extend or renew the term of any Prospecting Right, Prospecting License or Mining Lease, as Ausjam requests, provided that Ausjam has during its initial term complied with the terms and conditions set out therein and those of this Agreement.

3.10 The Government agrees to consider any application for transfer of a Mining Lease or Prospecting License by Ausjam to an Affiliate or unrelated third party, in accordance with the provision of Section 40 of the Mining Act and provided that the prospective Transferee proves to the reasonable satisfaction of the Minister that it has the resources to fulfil Ausjam's obligations under this Agreement and has also met the eligibility criteria for a Mining Lease or Prospecting Licence and further that any such Transferee shall, prior to such transfer enter into written agreement with the Government to perform and observe the conditions of this Agreement.

3.11 Should Ausjam determine that it requires or the Parties agree that it is in the best interest of Ausjam to obtain a mineral dealer's license, the Government or its agent will grant to Ausjam such mineral dealer's license as provided for in Section 74 of the Mining Act; in the event that Ausjam desires to transfer the mineral dealer's license, the Government or its agent will provide the necessary endorsements to such transfer, in accordance with Section 74(2) of the Mining Act.

ARTICLE 4 **RESPONSIBILITIES AND GENERAL RIGHTS OF AUSJAM**

4.1 Ausjam will on a continuous basis conduct its mining operations so as to effectively discharge its obligations under this Agreement and the Mining Act.

4.2 Ausjam will abide by all laws and regulations of general application in Jamaica and will comply with this Agreement; in particular Ausjam will:

(a) protect natural resources and the environment against necessary damage, prevent pollution and harmful emissions and dispose of waste materials in a manner consistent with Jamaican law or in the absence thereof, the prevailing industry standards;

(b) take all reasonable measures to protect the health and safety of its employees and other authorized persons;

(c) protect and control fire and other hazards to the mine and to rights and property of any third party; and

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(d) conduct all operations and activities in accordance with the prevailing industry standards.

4.3 Ausjam will inform the Government in a timely and opportune manner as to its plans and progress, in accordance with the Mining Act and will co-ordinate its activities with the Government and those agents of the Government charged with the implementation of this Agreement.

4.4 Ausjam will indemnify the Government against all valid claims (including claims for compensation for disturbance) caused to third parties in relation to damage or injury arising as a direct consequence of the mining operation of Ausjam within the mining area by virtue of this Agreement.

4.5 Ausjam shall obtain at its own cost all statutory and other consents and authorization.

4.6 Ausjam will be permitted to control the disposition of the Mineral and Product recovered under its Mining Lease and will be free to choose, the type and nationality of purchaser, and quantity of Mineral or Product to be sold to each purchaser, and the terms and conditions of sale. Ausjam, in its sole discretion, may sell Product in a refined or unrefined state, enter into tolling agreements, and enter into short, medium, or long-term sales agreements with particular buyers as well as selling product on a spot basis, provided that all sales shall be at arms length.

ARTICLE 5 TENEMENT OPERATIONS

5.1 Provided that Ausjam has made a good faith determination to carry on bona fide mining operations, as required by Section 36(1) of the Mining Act, and has made application to the Minister for a Mining Lease on those lands falling within the area of proposed operations, then the Minister will grant such Mining Lease to Ausjam.

5.2 The Minister may, upon reasonable request made by Ausjam, and in accordance with the Mining Act, include by endorsement on any lease, the permission to mine other minerals.

5.3 Subject to any law which may be in force from time to time, the Government will place no restriction on the movement of any funds by Ausjam between Jamaica and any other country in connection with its operation under this Agreement.

5.4 Ausjam may in accordance with the provisions of the Mining Act, surrender a Mining Lease at any time.

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ARTICLE 6 **SOCIAL AND ECONOMIC REQUIREMENTS**

6.1 Ausjam and its Subcontractors will use to the full extent possible, services and raw materials coming from Jamaica, as well as products made in Jamaica to the extent that these services and products are available under competitive prices, quality, guarantee and delivery times and provided that Ausjam and its Subcontractors are satisfied that the Jamaican supplier can fulfil Ausjam's requirements.

6.2 Ausjam and its Subcontractors will:

(a) give preference to the employment of personnel from Jamaica as long as they are qualified to do the job.

(b) put into effect a programme for training and promoting personnel from Jamaica.

ARTICLE 7 **FINANCIAL REQUIREMENTS**

7.1 Subject to any law which may be in force from time to time the Government guarantees to Ausjam, its Affiliates and Subcontractors, the following financial rights during the term of this Agreement and any Mining Lease:

(a) the right to freely convert and transfer Jamaican related funds into Dollars, without restriction or limitation, for the payment of obligations, debts, including principal and interest, to pay suppliers and creditors of every kind;

(b) the right to freely convert into Dollars and transfer abroad net profits for the purpose of paying dividends, distributing profits, repayment of financial obligations obtained from non-Jamaican sources, to include repayments to Affiliates of Ausjam and for any other purpose Ausjam would consider appropriate;

(c) the right to freely convert into Dollars and transfer all funds resulting from the liquidation of assets situated in Jamaica.

7.2 The Government hereby guarantees to Ausjam the right to transfer to and to store in any foreign country it desires, in Dollars or any other convertible currency, all revenue generated from its activities and operations in Jamaica after it's liabilities in Jamaica are met.

7.3 Subject to any law which may be in force from time to time, the Government guarantees the right to freely convert to Dollars and transfer to foreign countries the assets of expatriated personnel of Ausjam, its Affiliates and Subcontractors, together with the proceeds from their salaries or the liquidation of their investments and other

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assets in Jamaica. The Government guarantees to Ausjam and hereby authorizes the expatriated personnel of Ausjam residing in Jamaica the right to open bank accounts in Jamaican Dollars or other currencies in Jamaica and in foreign countries.

ARTICLE 8 TAXATION

8.1 Ausjam shall be given two (2) years tax holiday for the first two years of production in order to recover capital and development costs.

8.2 Following the period of exemption provided in Article 8.1 above and subject to the restrictions herein, the net taxable profit of Ausjam and its Affiliates will be determined according to the Tax Laws of Jamaica.

a. Fixed assets may be subject to an accelerated depreciation at successive annual rates of 50%

b. All products of the mine shall be sold at a fair market price and all transactions shall be at arms length.

8.3 The royalty payable to Government shall be determined in accordance with Section 45 of the Mining Act.

8.4 Ausjam will have the obligation or liability with respect to the payment of stamp duties, registration and recording fees, transfer taxes, levies, sanctions or other similar charges in respect of this Agreement, together with the transfer, conveyances and assignments of land and assets pursuant to any transfer of title which may occur as a consequence of this Agreement.

8.6 Affiliates of Ausjam shall be subjected to the Tax laws of Jamaica.

ARTICLE 9 CUSTOM, TARIFFS AND DUTIES

9.1 Ausjam, its agents, Affiliates and Subcontractors shall:

(a) Have the right to import as temporary importation, with a total suspension of all duties, taxes and other expenses collected upon the entry of any vehicle, instrument, equipment, material, replacement piece, machine or other movable goods that are susceptible to being reexported and are necessary for the conducting of mining and prospecting operations. In the event of the resale within Jamaica of the aforementioned goods, the customs taxes and duties shall be paid.

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(b) Have the right to import with an exemption of all customs duties, (except for a common external tariff (CET) of 5% on non CARICOM goods) taxes and other charges collected upon the entry of any consumables, raw materials, reagents, construction material, hydrocarbons or lubricants, equipment or other goods necessary for conducting the activities foreseen in this Agreement to the extent that these incentives are given to the bauxite companies.

(c) Not be liable for Consumption Tax on goods or services used directly in the mining or processing of minerals.

9.2 Expatriate employees of Ausjam, its Affiliates and Subcontractors, and their personal belongings will be exempt from any and all entry or exit tax, duty, custom or tariff (except for airport departure tax and 5% CET on non CARICOM goods); they will further have the right to import, hire or purchase vehicles which shall be exempt from all such tax, duty, custom or tariff (except for a CET of 5% on non CARICOM goods) provided that the vehicles imported, hired or purchased shall be used directly in the mining and processing operation and shall be pickups.

9.3 The Government will exempt Ausjam, its Affiliates and Subcontractors from export duty, levy or similar charges for all Minerals and Product they may export from Jamaica.

9.4 Ausjam, its Affiliates and Subcontractors, will be exempt from any export duties, taxes, contributions or other Government imposed charges which would otherwise arise from ceasing operations, production or business in Jamaica.

9.5 The Government will grant import licences to Ausjam and its Subcontractors under the Trade Law enabling them to import without restrictions all materials, plant, equipment and operating supplies which Ausjam may reasonably require for its operations. The Government will also grant export Licence to Ausjam, its Affiliates and Subcontractors, for the sale and shipment of Product and Minerals to locations outside Jamaica.

9.6 If Ausjam desires to engage a ship to transport Minerals or Product from Jamaica and any ship of Jamaican registry is offered that is suitable for that purpose on terms and conditions competitive in every way, including any registry or other requirements imposed by the country of destination, with those for other available ships, preference shall be given to such Jamaican ship. No other restriction will be placed on Ausjam's free choice of shipping. Notwithstanding this provision, Ausjam will always be free to use any ship owned by or under contract to it or any Affiliate of Ausjam.

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ARTICLE 10 **ENVIRONMENT**

10.1 Ausjam will act to ensure the protection of the environment , the restoring of surfaces disturbed and the neutralization of all liquid and solid waste in accordance with the laws of Jamaica and all terms and conditions stipulated by the Natural Resources Conservation Authority and other authorized agencies of the Government, with particular attention to public safety and to the nature and state of neighboring land, including underground and surface waters.

10.2 Ausjam shall restore the land disturbed for mining in accordance with the provisions of the Mining Act. Failure to do so will attract a fine to be levied by the Commissioner of Mines. In addition, Ausjam shall deposit with the Commissioner or post a bond for such sum as specified by the Commissioner as security for the mitigation of all environmental damages done to the air, land or water resources.

10.3 Ausjam will preserve, to the extent reasonably possible, the public infrastructure affected by its activities. Any deterioration beyond the normal usage of a public infrastructure which is clearly attributable to Ausjam will be repaired or reimbursed by Ausjam.

ARTICLE 11 **SETTLEMENT OF DISPUTES AND ARBITRATION**

11.1 The performance, interpretation and construction of this Agreement shall be determined by the laws of Jamaica.

11.2 (a) Any dispute or difference between the parties hereto which may arise from or in consequence of this Agreement shall, unless settled by mutual agreement of the parties or by conciliation procedures agreed to by the parties, be referred for settlement by Arbitration in accordance with this Article to the exclusion of any other remedy as a condition precedent to any action in any Court.

(b) For purposes of this Article the term "parties" shall include the Government and any agency, instrumentality or subdivision thereof, Ausjam and any affiliated company having rights or obligations under this Agreement.

11.3 **Arbitration Procedures**

(a) Any dispute described in Article ll.2 above which shall be referred for settlement by arbitration shall be referred to an Arbitral Tribunal consisting of three (3) arbitrators, one arbitrator appointed by each party hereto and the third arbitrator, who shall be Chairman of the Arbitral Tribunal appointed by agreement of the parties. The Chairman shall not be closely connected with, or

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be a national of either Australia, Canada or Jamaica, and shall be a person of recognized standing in jurisprudence and international arbitration. Either party wishing to institute an arbitration proceeding under this Article shall address a written notice to that effect to the other party. Such notice shall set out the place of Arbitration in accordance with this Article and shall contain a statement setting forth the nature of the dispute to be submitted to arbitration and the nature of the relief sought by the party instituting the arbitration proceedings. The date of such notice shall determine the date of institution of arbitration under this Article. Pending the making of a decision or award of the Arbitral Tribunal, continuance of operations or activities shall not prejudice the claim of either party to the dispute.

(b) If, within forty-five (45) days after the date of institution of arbitration under this Article, the parties have not agreed upon the arbitrator who will be the Chairman, or if either party shall have failed by written notice to appoint an arbitrator, then such arbitrator or arbitrators or the Chairman shall be appointed by the President for the time being of the International Court of Justice. If the President is a national of the Contracting Party or is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or is prevented from discharging the said function, the Member of the International Court of Justice next in seniority, who is not a national of either Contracting Party, shall be invited to make the necessary appointments.

(c) In case any arbitrator appointed in accordance with this Article shall fail to accept his appointment, resign, die, otherwise fail or be unable to act, a successor arbitrator shall be appointed in the same manner prescribed for the appointment of the arbitrator or Chairman whom he succeeds, and such successor shall have all powers and duties of his predecessor .

(d) In the event of arbitration:

(i) the arbitration will be held in Washington, D.C., unless the parties mutually agree otherwise;

(ii) the arbitration will be conducted in English;

(iii) the Arbitral Tribunal shall convene at such times as shall be fixed by the Chairman.

(e) The Arbitral Tribunal shall decide all questions relating to its jurisdiction and competence and, subject to the provisions of this Article and except as the parties shall otherwise agree, the Arbitral Tribunal shall determine its

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procedure. All decisions of the Arbitral Tribunal shall be by majority of the votes of all of its members.

(f) The failure of a party to appoint arbitrator, to appear or to present its case shall not prevent or hinder the Arbitral Tribunal from dealing with the operations submitted to it or from rendering an award. The Arbitral Tribunal shall, if requested by a party to the dispute, determine any incidental or additional claims or counter-claims arising out of the subject matter of the dispute or grant provisional relief or issue interlocutory orders to mitigate damages or prevent irreparable injury.

(g) Subject to the provisions of this Article, the Arbitral Tribunal shall decide all disputes in accordance with the United Nations Commission on International Trade Law Arbitration Rules (UNCITRAL Arbitration Rules).

(h) An award in writing signed by a majority of the Arbitral Tribunal shall constitute the award of such Arbitral Tribunal. The award shall deal with the questions submitted to the Arbitral Tribunal and shall state the reasons upon which it is based. In case the decisions or award of the Arbitral Tribunal recognizes that a complainant was justified, provision may be made in such decisions or award for such reparation as may appropriately be made in favour of the complainant. Signed counterparts of the award shall be transmitted by the Arbitral Tribunal to each party. The Arbitral Tribunal shall not publish its award to third parties without the consent of the parties hereto. Each party, shall in good faith, abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with this Article. An award rendered in accordance with this Article shall be final, conclusive and legally binding upon the parties to this Agreement.

(i) If, within sixty (60) days after counterparts of the award are transmitted to the parties, the award shall not be complied with, any party may enter judgment upon, or institute proceedings to enforce the award in any Court of competent jurisdiction against any other party, may enforce such judgement by execution or may pursue any other appropriate remedy or proceeding against such other party for the enforcement of the award and the provisions of this Agreement, and the parties expressly and irrevocably waive the right to invoke or avail themselves of any privilege or immunity from jurisdiction or the execution or enforcement of such award or judgment, where such jurisdiction otherwise attaches.

(j) The Arbitral Tribunal shall determine the fees and expenses of its members. Each party to the dispute shall defray its own expenses in the arbitral proceeding. The costs of the arbitral proceedings and the procedure for payment of such costs shall be determined by the Arbitral Tribunal. The

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Arbitral Tribunal shall decide how and by whom the fees and expenses of its members and the cost of the Arbitral proceedings shall be paid. Such decision shall form a part of the award.

11.4 **Continuing Effectiveness**

Notwithstanding the termination or expiration of this Agreement, the provisions of this Article shall continue in full force and effect with respect to any arbitration proceeding instituted prior to the expiration of two (2) years after any termination or expiration of this Agreement.

ARTICLE 12 **MISCELLANEOUS**

12.1 **Applicable Law**

This Agreement will be governed by the laws of Jamaica, except as otherwise provided for in this Agreement. The Government hereby represents that this Agreement is authorized by the laws of Jamaica.

12.2 **Force Majeure**

(a) If either Party shall be prevented by Force Majeure from timely performance of any of its obligations under this Agreement, the failure of performance shall be excused and the period for performance and the affected term(s) of this Agreement shall be extended for an additional period equal to the duration of the Force Majeure. Upon the occurrence and upon the termination of any Force Majeure, the affected Party shall promptly notify the other.

(b) The Parties will use reasonable diligence to remedy a Force Majeure, but shall not be required against their better judgement to settle any labour dispute or settle differences with third parties, including social conflict, unless the settlement is rendered mandatory following a definitive arbitral decision pursuant to Article 11. The Government and Ausjam agree to co-operate in order to settle any social conflict which might arise.

12.3 **Notices**

Any communication or notices set forth in the Agreement shall be made by registered mail or private courier and evidenced by a return receipt, or by telefax transmission confirmed by registered letter and evidenced by returned receipt, and addressed as follows:

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To the Government:

Ministry of Agriculture and Mining
Attention: Commissioner of Mines
Hope Gardens
Kingston 6, Jamaica
West Indies.

To Ausjam:

Ausjam Mining Pty Ltd.
12-14 Oxford Terrace
Kingston 5
Fax: 960-1968

12.4 **Confidentiality**

All information obtained by the Government and Ausjam during and arising out of activities pursuant to this Agreement shall be kept strictly confidential by the Government and Ausjam and shall not be released to any third person except upon the prior written consent of the Government and Ausjam.

12.5 **Modifications & Construction**

(a) No release, amendment, alteration, modification or interpretation of this Agreement shall be binding upon the Parties unless in writing and executed by a duly authorized officer or representative of each of the Parties.

(b) The titles and headings have been inserted for convenience only and in no way define, limit or describe the scope and intent of this Agreement or otherwise control or affect this Agreement.

(c) The invalidity of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement. If a Party considers itself seriously injured by such invalidity, it can request the revision of the affected provision of the Agreement. The Parties will, in good faith, attempt to come to an equitable solution.

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12.6 **Further Assurances**

Each Party shall execute such further documents, and perform such further acts, as may be necessary, in the reasonable judgement of legal counsel for the other party to consummate, effect and confirm the transactions contemplated by this Agreement.

ARTICLE 13 EFFECTIVE DATE

13.1 The Effective Date of This Agreement shall be the last date upon which each of the following conditions precedent have been completed:

(a) Approval of the Agreement by the ministries, cabinet, parliament, and any other Government Authority.

(b) Approval of the Agreement by Ausjam, as evidenced by its corporate seal and governmental authority, if required; evidence of such governmental approval is by the document attached hereto as Schedule C.

(c) Ausjam, through its authorized signatory, has executed the Agreement.

ARTICLE 14 TERMINATION OF AGREEMENT

14.1 This Agreement may be terminated by either Party by six (6) months' notice in writing to the other Party.

14.2 In the event of this Agreement being determined whether by Notice, effluxion of time or otherwise:

(a) Ausjam shall immediately pay to the Government all arrears of Royalties and any other sums due under the terms of this Agreement;

(b) Ausjam shall remain liable to perform its obligations pursuant to Article 10 above;

(c) Each party shall remain liable to perform all its outstanding liabilities under this Agreement;

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(d) Each party shall be liable to pay the other Damages for any breach of this Agreement and all expenses and costs incurred by that Party in enforcing its rights under this Agreement; and

(e) Ausjam shall be permitted to remove all its apparatus and equipment which may have been placed by it upon the area associated with the mining operation, in accordance with the terms of the Mining Act.

SIGNED BY THE PARTIES HERETO AT THE PLACE AND ON THE DATE SHOWN BELOW:

By GOVERNMENT	By AUSJAM
Government of Jamaica	Ausjam Mining Pty Ltd.
----------	----------
represented by the Hon. Horace Clarke Minister of Agriculture & Mining	represented by Director
Signed on:----------	Signed on:----------
Signed at:----------	Signed at:----------

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THE MINING REGULATIONS, 1947
SPECIAL MINING LEASE NO. 150

WHEREAS:

(1) An application has been made by Clarendon Mining Limited and AUSJAM Mining Limited jointly, as Lessees for a Special Mining Lease in relation to its plans to mine for gold; and

(11) The Minister is satisfied that the conditions in Section 45(1) of the Mining Act, are fulfilled and has determined therefore to grant a Special Mining Lease pursuant to the aforesaid application.

This Special Mining Lease is therefore granted to Clarendon Mining Limited and Ausjam Mining PTY Limited each in its capacity in the partnership formed (hereinafter called "Lessees") for the purpose of mining gold in, under or upon approximately l2.98 square kilometres of land at Main Ridge in the parish of Clarendon, Jamaica, as delineated on the plan annexed hereto for a term of ten (l0) years from the .....day of.....l997, subject to the provisions of the Mining Act now in force, save as hereinafter negatived, varied or modified, as well as to any Regulations now in force or which may come into force during the continuance of this Special Mining Lease and relating to the safe working of the mines or to the health or welfare of the persons employed therein, and subject also to the following special conditions.

1. The Lessees hereby covenant and agree that they shall acquire lands within the mining lease before commencement of mining on such lands.

2. The Lessees shall submit to the Commissioner of Mines not later than the date of the commencement of mining, a detailed Mining Plan covering the projected life of the mine or a period of two years, whichever is longer. The lessees shall promptly advise the Commissioner of Mines of any material change in the mining plan.

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3. A reclamation bond shall be posted with the Commissioner of Mines prior to commencement of mining. The amount of this bond will be determined by the Commissioner of Mines.

4. An emergency plan shall be developed in consultation with the Ministry of Health, the Chapelton Hospital and the Office of Disaster Preparedness and Emergency Relief Co-ordination and be approved by the Commissioner of Mines, before the commencement of any leaching or treatment of the ore.

5. The Lessees shall keep, to the satisfaction of the Commissioner of Mines, proper books and records showing the amount of mineral won and the price at which it was disposed of.

6. A monthly return shall be submitted to the Commissioner of Mines setting out the quantity of mineral won, its value and how it has been disposed of.

7. Royalty shall be at a rate of four and one quarter percent (4 1/4%) of Gross Revenue for the first two years of production , a revision will thereafter be made by endorsement to reflect any adjustment.

8. The Lessees shall maintain detailed records of all prospecting carried out within this Special Mining Lease area and, together with each report furnished under Regulation 37 (l) (ii) of the Mining Regulations, 1947, shall furnish the Commissioner of Mines with the following:

   (a) drilling assay data resulting from prospecting and development drilling;

   (b) maps showing the location and depth of holes drilled and sample intervals; and

   (c) representative portions of any such drill samples taken for orebodies which have not yet been mined out as may be requested in writing by the Commissioner of Mines from time to time.

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9. Failure of the Lessees to fulfill any of the terms and conditions of this Special Mining Lease shall not give the Government of Jamaica any claim against the Lessees or be deemed a breach of this Special Mining Lease in so far as such failure arises from force majeure, as defined in the 1997 Agreement.

10. The granting of this Mining Lease does not relieve the Lessees or either of them or any person acting as its or their agent, or on their direction or with their approval from any liability due to harm or injury to human health or welfare, animal or plant life, or property caused by the construction or operation of this permitted facility.

11. The Minister covenants not to grant any other person firm or company the right either on its own account or on behalf of any person other than the Lessees to mine or work any gold or associated minerals within lands the subject of this Mining Lease.

12. Where any spillage or occurrence causes or is likely to cause serious harm or injury to Flora and or Fauna, during the course of any activity authorized or contemplated under the terms of this Special Mining Lease, the Lessees shall as soon as possible, and in any event not later than twenty four (24) hours thereafter, report such occurrence to the Commissioner of Mines and, where appropriate to the Office of Disaster Preparedness and Emergency Relief Co-ordination.

13. The Lessees shall, on completion of mining operations, retain and rehabilitate areas mined or make any appropriate alterations to meet land use demands as approved by the Commissioner of Mines.

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14. This mining lease shall be read and construed as one with any Agreement entered into between the Government of Jamaica and the Lessees, provided, however, that in any conflict between this Lease and any Agreement the provisions of the Lease shall prevail.

Dated the.....day of.....1997

.....
Minister

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PLAN

DELINEATION OF AREA ML 150

An area of approximately 2.98 km² in the Main Ridge region of the parish of Clarendon.

LOCATION BEACON	-	consists of metal sign and is situated approximately at the intersection of false coordinates 440 000 North 434 000 East on sheet G 12 NE of the topographical map of Jamaica.
FIRST CORNER	-	is situated approximately at the intersection of the false coordinates 444 000 North and 442 000 East approx-mately 2438 metres from the location beacon on an approximate grid bearing of 90 degrees.
SECOND CORNER	-	is situated approximately at the intersection of the false coordinates 440 000 North and 442 000 East approx-mately 1392 metres from the first corner on an approximate grid bearing of 180 degrees.
THIRD CORNER	-	is situated approximately at the intersection of the false coordinates 440 000 North and 434 000 East approx-mately 2438 metres from the second corner on an approximate grid bearing of 270 degrees and is 1392 metres to the location beacon on an approximate grid bearing of 360 degrees..

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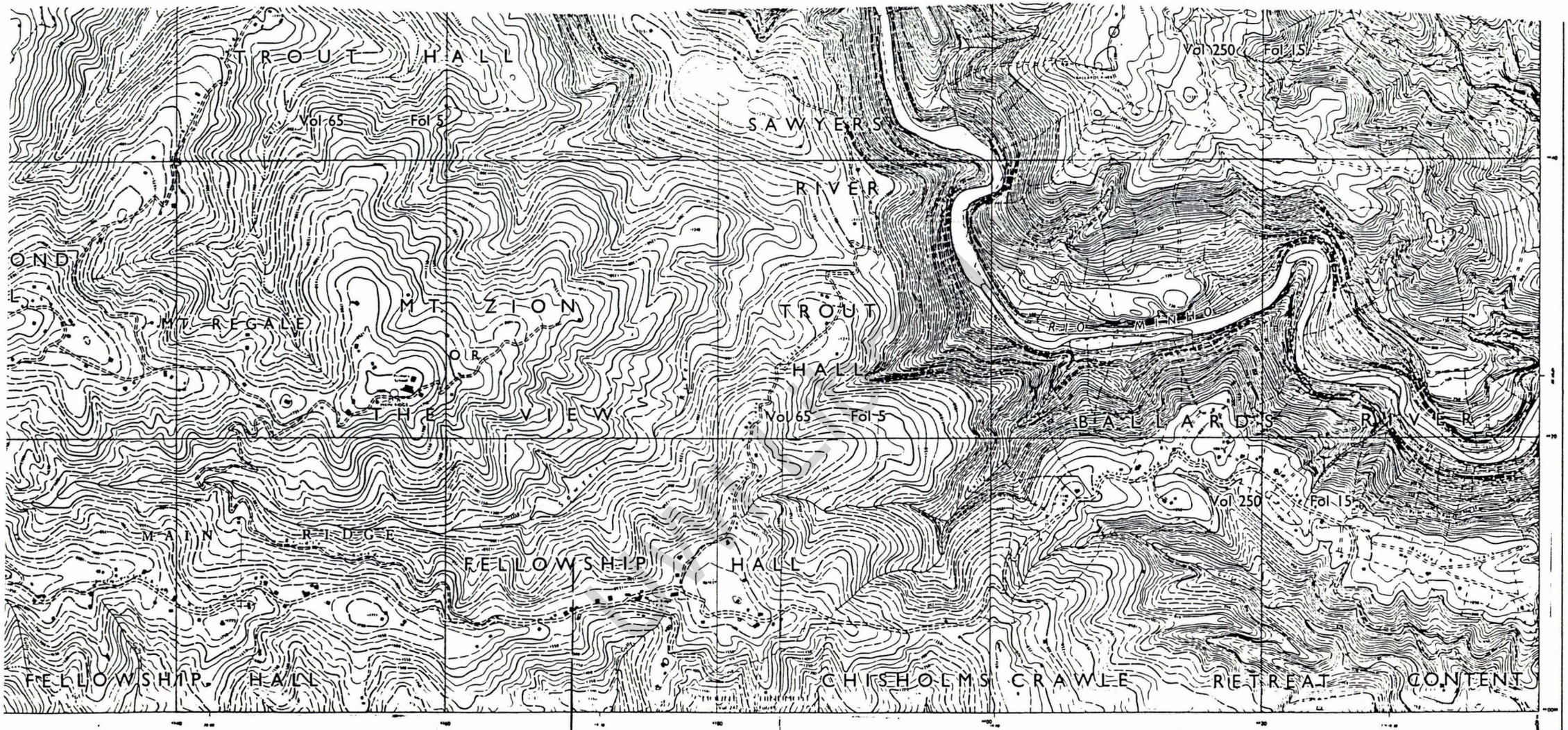

SCALE 1:5,000

GRID INTERVAL 2,000 FEET

SHEET G12NE

SHEET INDEX		SHEET G	
NW	NE	NW	NE
7		8	
SW	SE	SW	SE
NW	NE	NW	NE
12		13	
SW	SE	SW	SE

Projection	Lambert Conical Orthomorphic with one standard parallel
Spheroid	Clarke 1880
Origin	18°00' North 77°00' West of Greenwich
False Co-ordinates of Origin	550 000 feet Eastings 400 000 feet Northings

This map was compiled by photogrammetric methods and drawn by

FAIREY SURVEYS LTD.
REFORM ROAD, MAIDENHEAD,
BERKSHIRE, ENGLAND.

Photography dated April, 1961 supplied by

DIRECTOR OF SURVEYS, JAMAICA.

HEIGHTS IN FEET ABOVE MEAN SEA LEVEL

PUBLISHED BY SURVEY DEPARTMENT JAMAICA W.I.

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SUBMISSION TO THE DEVELOPMENT COUNCIL

The Central Inlier Gold Project

Submitted for the consideration of the Development Council are a draft agreement between the Government and Ausjam Mining Pty. Ltd. and a draft Special Mining lease in favour of that company.

Background

2. Gold, like all other minerals occurring on Jamaican land, is the property of the Crown, that is to say, the Government of Jamaica. The Government as owner may grant exploration licences to anyone to prospect for minerals. Prospectors may then be granted mining leases to take possession of the specified mineral throughout the area of the mining lease.

3. The first entity to have taken up the search for gold on this project was Jamaica Mining Company Ltd., an exploration company whose principal is Mr. Stephen Wallace, a Canadian who has done extensive exploration work in Jamaica. This company, not being itself a mining company, passed on the gold prospect to **BHP Utah,** the American subsidiary of Broken Hill Property of Australia. It turned out that **BHP Utah** considered the indicated amount of gold to have been too small for its purposes and passed the project on to the Orvana company of Vancouver, Canada for completion of the operation programme. Orvana, not being a mining company, then passed the fully evaluated gold prospect on to Ausjam Pty Ltd. of Victoria, Australia for mining. This Australian company registered a company in Jamaica called Ausjam Mining Pty Lty. This is the company now seeking an agreement with the Government to mine the gold deposit.

4. Two of the companies which preceded Ausjam Mining on this project, entered into royalty arrangements with Ausjam whereby annual payments are made to them by Ausjam both prior to and during mine production. This is an arrangement whereby annuities rather than one-off payments are made to the precedent companies in consideration of the work

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done by them and the value of information which they were able to put together in terms of ore reserve estimates. This means that Ausjam has to face these payments as costs chargeable to mine production before profits. In this regard, these costs affect the profitability of the project, making it less likely for profits to be declared and for corporate taxes to be payable. It also has an impact on the amount of royalty which may be reasonably recoverable by Jamaica. The making of annuity arrangements between prospectors and the mining companies which succeed them is common practice in Canada. In that country, small exploration companies take the risk of making expenditure on mineral searches. Whenever promising prospects are located and quantified, these are passed on to bigger companies which carry out the mining operations and reward the prospector with a percentage of the production. The Ministry of Agriculture and Mining will be studying this practice in greater detail and will be putting policy proposals together for future reference as to whether an upper limit ought to be place on the aggregate amount that can be paid out to any line-up of prospecting companies which may have participated in the search for minerals in Jamaica. Of course one ought to be careful that the policy arrived at, should not discourage the search for minerals by local or foreign prospecting companies.

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THE DEPOSIT

5. The gold deposit is located at Main Ridge near Morgan's Valley in Clarendon. The reserves have been estimated at 35,000 ounces of gold in tonnes of rock or just under half an ounce gold per tonne of rock. This is a small deposit. The value of this small mine to Jamaica lies, not so much in the direct monetary returns, but more in the enlistment of Jamaica among the gold-producing countries of the world. More prospecting dollars will be spent here, both in the same Main Ridge area and in other areas to discover additional deposits of gold.

6. The location of the deposit will necessitate the upgrading of public roads, the extension of power lines and the extension of water mains, all at the cost of the project.

AUSJAM'S REQUESTS

8. Ausjam Mining Pty Ltd. has indicated that the 82,500 tonnes of ore is intended to be completely mined within a period of two years. The company will nevertheless be carrying out further searches and hopes to find additional reserves. The Special Mining Lease has thus been given a life of five years and the royalty arrangements are subject to review after two years. The royalty rate of 4.25% of gross proceeds for the Government is higher than the regular rate of 3.5% because no corporate taxes are expected from this two-year operation. The value of the 35,000 ounces of recoverable gold will be such as to require duty-free importation of capital goods and raw materials as well as exemption from consumption duties. The company has also requested that certain rights and obligations on the parts of both itself and the Government be spelt out in a document of mutual agreement. Such a document was drafted jointly by the company and the Commissioner of Mines. It was reviewed by the Ministry and subsequently submitted to the Attorney General for his opinion. The final form of this document entitled "Government of Jamaica-Ausjam Mining Pty. Ltd. Agreement" has met with the approval of the Attorney General and is agreeable to both the Ministry of Agriculture and Mining and Ausjam Mining Pty. Ltd. It covers a period of ten years and will be in force to cover any additional prospecting or mining operations at the Main Ridge site.

9. The contents of the Government-Ausjam Agreement were arrived at after extensive negotiations between the Ministry and the company and after certain modifications made by the Attorney General. The company would have wished to enjoy greater benefits and the Ministry would have gone for higher revenues except that in the final analysis, we had to strike a balance to enable the project to proceed. Ausjam will still have to obtain US$2,500,000 in financing for the project.

Cost-Benefit Considerations

10. The 35,000 ounces of gold to be recovered from this project carries a gross value of approximately US$12 million, at US$340 per ounce. The following costs are thought to be realistic estimates:

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Costs per Tonne US$

Capital	$15
Mining	$21
Land Rehab	$ 1
Admin	$12
Sunk Cost	$12 (already incurred by Ausjam)
	US$76 per tonne

Total cost = 82,000 x 76 = US$6,270,000

Net Smelter return (NSR) = US$11,900,000 - 6,270,000 = US$5,630,00

Payables

Royalty of 5% of NSR to Jamaica Mining Company	= US$281,500
Royalty of 71/2 of NSR to BHP Utah	= 422,250
Royalty 4.25% of Gross to Government of Jamaica	= 505,750
Net returns to Ausjam/Clarendon Mining	=US$ 4,397,050

From these net returns, Ausjam will have to meet the cost of capital in terms of either interest or percentage of net proceeds.

10. The actual mining of the deposit will be done by a local contractor.

11. There will be the direct employment of 25 persons, fifteen of whom are expected to be local. This is in addition to local personnel to be hired during the construction phase.

12. Total financial benefits to the local economy in terms of mining, milling, land rehabilitation, wages and salaries and personal income taxes, are expected to exceed US$6 million.

Approval

13. The Development Council is requested to approve of the agreement and the terms of the Special Mining attached.

HORACE A. CLARKE

Minister of Agriculture and Mining

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DC 24 Opm (MT) 14/97

Item 5

To : Rt. Hon. P. J. Patterson
Prime Minister

From : Vincent M. Lawrence

Date : May 7, 1997

Subject : Update on Hotel Projects granted (or being considered for) Government of Jamaica Financial Assistance

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At the Development Council meeting of March 1997, additional financial assistance to the Swept Away - Trelawny and Hedonism II - Runaway Bay Hotel Projects were approved. Further study was mandated for the Drax Hall - Marriott Project and the committee was instructed to complete evaluation of financial assistance to the proposed Beaches - Whitehouse and Ritz Carlton - Montego Bay Hotel Projects. To be also completed was an evaluation of the operations and viability of the existing Braco Village/Braco Pebbles Complex. Information on two (2) projects in the pipeline - Seawind Towers and Seawind Le Meridien - were also to be obtained towards ensuring early implementation.

The status, findings and recommendations for each of the above are as follows:

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SWEPT AWAY - TRELAWNY

Agreement has been reached with the Promoters on all issues except the land values to be used as equity contribution and the final land space to be utilized in the project. A site visit is proposed shortly after which these two issues should be settled.

In design, the project allows for its water supply to be provided by a desalinization plant. Discussions are currently being held with the National Water Commission (NWC) towards substituting the desalinization water with direct water supply from the Martha Brae Treatment works.

The actual additional funding now required for the project is US$10.85 however the Promoters are only requesting additional GOJ funding of US$9.95M and not the previously reported US$9.05M.

Construction of this project is now expected to commence in July 1997.

HEDONISM II - RUNAWAY BAY

Agreement has been reached with the Promoters on all issues including the desirability of acquiring an adjacent property, the price of which should be agreed with the GOJ team. The outstanding items at this stage are the completion of the shareholders agreement and most importantly, the negotiation of the terms of the Management Agreement with the Superclubs Group. Completion of these agreements is expected by mid-June 1997.

Construction of the project is expected to commence in July 1997.

DRAX HALL - MARRIOTT

Most of the issues reported to the March 1997 meeting are still outstanding. The Committee continues to work with the Promoters and do not expect this project to commence before November 1997. The financing gap is still too large, the hotel design is still incomplete with funding being required to complete the designs. The central role and the total dependence of the Drax Hall development on the Marriott Hotel Project is a new matter of concern being examined by the Committee.

RITZ CARLTON - MONTEGO BAY

It is now recommended that GOJ provides the requested funding of 10% of the project cost not exceeding US$ 11.7M provided it assumes an active role in monitoring the actual implementation of the project and upon completion, the monitoring of its operations (see attached Summary Report).

Agreement has been reached with the Promoters for GOJ to participate in capital gains from the increased land value. The equity assignment for the land value in the project will be Promoters - US$ 10.0M and UDC - US$3.0M.

The issues to be resolved include:

(a) Terms of a Shareholders Agreement
(b) Completion of Construction Drawings and a Construction start date
(c) Evaluation of the Closing Costs, Interest, Legal Fees and Pre-Opening expenses and their eventual treatment as project costs.

Construction of the project is expected to commence in September 1997 although site works should commence in July 1997.

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BEACHES - WHITEHOUSE

It is recommended that GOJ provide the requested funding of US$ 20.0M through the NIBJ and NDB provided it assumes an active role in monitoring the actual implementation of the project and upon completion, the monitoring of its operation (see attached Summary Report).

The issues to be resolved include:

1. Supporting infrastructure and the extent of GOJ's provision of these facilities such as:

   - Solid Waste Disposal Site.
   - Water Supply from Robins River.
   - Upgrade of Reading to Ferris main road.
   - Increased site accessibility by the development of a small aerodrome in the region.

2. Joint Venture Development of a first class Golf Course.

3. Conditions of transfer of lands from Gorstew Limited to the project joint venture Company.

4. Agreement on final design and layout.

Infrastructure construction (water supply, roads, etc.) is expected to commence in July 1997 with actual construction of the site office and Hotel Buildings to commence in September 1997.

BRACO VILLAGE/BRACO PEBBLES COMPLEX

The full review of all data on the financing, operations and current financial position of these facilities has been carried out and a number of meetings held with the Board of Director of Braco Resorts Limited and their representatives.

The current financial and operational situation is totally unacceptable. A number of GOJ institutions are committed to the project as they have injected and continue to inject significant funding without adequate representation, control and monitoring of the operations. A web of Companies has been weaved to secure funding (mainly GOJ funding) and which needs to be simplified (see attached Summary Report).

It is recommended that until all the points mentioned in the Summary Report are addressed no further GOJ disbursements should take place nor should the conversion of Debentures take place especially at the currently very unfavourable conversion terms. Issues of particular importance are:

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1. A restructuring of the various companies and their Board of Directors to be more in keeping with the actual proportional shareholdings.

2. The preparation of an appropriate Shareholders Agreement.

3. Approval by GOJ to the appointment of the Operators and the terms and conditions of any new Management Agreement.

In the event that as creditors the GOJ requirements are not met to its satisfaction, it is further recommended that, as secured creditors, consideration be given to realizing these securities.

SEAWIND TOWERS

The information from the Promoters on Seawind Towers will not be available until May 22, 1997. They however propose to complete acquisition of the property from Montego Freeport Limited by mid-July 1997 with a view to carry out refurbishing works (as Phase I) in order to have the facility re-opened by December 1997 for the 97/98 Winter Season. This will provide an approximately 230 key facility. The total expected Phase I cost and Acquisition Cost is US$ 20.0M. GOJ is being asked to directly invest US$ 4.0M through NIBJ with further direct lending by NDB (amount not yet known). Phase II which involves expansion of the hotel by up to 100 rooms commencing, early 1998, is expected to cost a further US$ 7.0M to be funded by the Promoters raising additional equity.

SEAWIND LE-MERIDIEN

This project has approved GOJ funding of up to US$ 12.0M (NIBJ US$ 10.0M - NDB US$ 2.0M). Preliminary Agreement has just been reached with the proposed operators, the International Le-Meridien Hotel Chain, which has necessitated some change in concept and design of the hotel. The re-evaluation by the Committee is now expected to be completed by the end of June 1997.

Construction is projected to commence in October 1997.

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GOJ FUNDING REQUIREMENTS

Based on the current and likely commitments to Hotel Projects including all those discussed above (except Drax Hall - Marriott) it is anticipated that the US$ funding required by both the NIBJ and NDB acting on behalf of GOJ shall be as follows:

	Mar 97	June 97	Sept 97	Dec 97	Mar 98	Total 97/98
NIBJ	8.430	1.504	13.166	19.000	21.500	**63.600**
NDB	-	5.000	5.000	5.000	5.000	**20.000**
TOTAL	**8.430**	6.504	**18.166**	**24.000**	26.500	83.600

Of the above requirement US$ 25.0M has already been sourced. Immediate agreement with the Ministry of Finance for the raising of additional funds in accordance with the above schedules, is now required.

The Committee awaits the decisions of the Development Council and your instructions especially as it relates to Braco.

Vincent M. Lawrence

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SWEPT AWAY - TRELAWNY

In 1997 March the Committee was advised that the promoters of the above project were seeking additional funding from NIBJ to bridge a financing shortfall of US$9.05M. If the additional funding being required was approved NIBJ would become the largest single investor with total investment into the project of US$20.05M . Consequently it was recommended that:

1. Only 16-18 acres of the 38 acres of the land reflected in the stack-up be included in the project and land cost adjusted accordingly.

2. The massive appreciation in the land value based on an improved hotel development value be shared with the Government of Jamaica (GOJ) (i.e. the original investors in 1993 invested US$0.75M and in 1997 seek a value of US$7.0M).

3 GOJ re-negotiate fees portion of equity US$2.0M as Development Costs to date is only approximately US$1.0M

4. The investors prepare a new Shareholders Agreement to initially protect the various interests including Government and to outline an exit strategy for GOJ.

5. The other agreements/contracts be fully reviewed to ensure equity and transparency in the transactions.

6. Urban Development Corporation (UDC)/National Hotels & Properties (NHP) should assume an oversight role if GOJ provides further funding.

The foregoing points as well as some additional concerns were raised with the promoters these included :

i. Review of the final detailed designs to ensure a "Four Star" rating for the Hotel.

ii. Evidence of the total financing committed to the project to date.

Except in the following instances where additional investigative work needs to be carried out the promoters the are amenable to our requests.

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SWEPT AWAY - TRELAWNY

1. With respect to the land to be utilized the promoters have indicated that the terrain of a portion of the land is hilly and cannot be used for construction purposes, also that NRCA's approval was for low density. UDC,s Chief Architect, along with the developers, is to visit the site before any further decision is taken.

2. The interior designs are to be submitted to the UDC's Chief Architect for final review.

At the time of the original submission the amount being requested was US$9.05M, however the amount has increased to US$10.85M

RECOMMENDATIONS

It is being recommended that upon finalisation of all outstanding matters it is recommended that the shortfall of US$10.85M be funded as follows:

NIBJ Conv. Debenture	US$4.40M
IDB/IFC	US$5.55M
Additional GOJ Invest.	**US$9.95M**
Add. Equity by Promoters	US$0.90M
Total Shortfall	**US$10.85**

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HEDONISM 11 - RUNAWAY BAY

In 1997 March the Committee was advised that the promoters of the above project were seeking additional financing from NIBJ to fund a portion of shortfall of US$9.675M. The amount being requested was US$7.0M. If the additional funding being required was approved, NIBJ would become the largest single investor with total investment into the project of US$17.0M. Consequently it was recommended that:

1. The land value and expenditure to date be further evaluated to ensure/confirm to ensure that GOJ as an investor is treated equitably.

2. A Shareholder's Agreement be prepared to initially protect the various interest and to outline an exit strategy for GOJ. This agreement will ensure equity and transparency in the transactions.

3. The terms of a Management Agreement with Super Clubs for the operation of the Hotel be negotiated and agreed.

4. Urban Development Corporation (UDC)/National Hotels & Properties (NHP) should assume an oversight role if GOJ provides further funding.

The foregiong points as well as some additional concerns were raised with the promoters. These included :

i. The component of financing identified from professionals, contractor, and suppliers investment totalling US$2.475M was not acceptable and should not be considered as potential equity.

ii. That the promoters commence negotiations to purchase the adjacent property which will form part of the project - the price of which should be agreed with GOJ.

The promoters are amenable to all our requests and havetaken action in a number of instances to address them.

RECOMMENDATIONS

It is being recommended that the additional funding of US$7.0M be provided to the project.

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DRAX HALL - MARRIOT

In 1997 March the Committee was advised that the promoters of the above project were seeking additional financing from NIBJ to fund the shortfall of US$31.7M. If the additional funding being required was approved NIBJ would become the largest single investor with total investment into the project of US$37.7M . Consequently it was recommended that :

1. The ownership of the lands and the legal arrangements with the various companies need to be clearly understood and agreed.

2. The land values and expenditures to date need to be further evaluated.

3. The Detailed Design of the Project need to be undertaken so that appropriate project costs can be determined and agreed.

4. The Government position on what is clearly a casino by initial definition and more recently called a Games Room and which is expected to initially contribute 15% of the Hotel's profitibility.

5. A realistic implementation schedule is agreed as based on the current Technical and Legal/Contractual Status of arrangements, it is unlikley that the project could commence before October 1997 or more likely January 1998.

6. GOJ as the majority shareholder take control of the project through UDC/NHP but agree to negotiate suitable arrangements to utilize the current project team.

7. A Shareholders' Agreement be prepared to protect the various interests and to outline an exit strategy for GOJ. The agreement will ensure equity and transparancy in the various transactions.

RECOMMENDATION

Most of the above concerns are still outstanding. The Committee continues to work with the Promoters and do not expect this project to commence before 1997 November.

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THE RITZ-CARLTON, ROSEHALL, MONTEGO BAY

1.0 INTRODUCTION

The proposed development will be sited on a 38 acre property known as Rose Hall Planation. The Promoters are Mr & Mrs John Rollins. The development consists of a 430-room resort , golf facility, central facilities, sports and entertainment areas. The total project cost is estimated at US$117.242M and is broken down as follows:

	US$
Land	13,000,000
Design & Development	4,370,000
Construction & FF&E	68,812,000
Interest, Legal Fees, Pre-Opening Expenses, etc.	23,060,000.
	109,942,000
Contengencies	8.000,000
TOTAL	**117,242,000**

2.0 FINANCING

It is being proposed that the project be funded with debt of US$70.512M and equity of US$46.723M and is made up as follows:

Debt - Senior Debtors	US$ 63.812M
NDB	US$ 6.700M
TOTAL	**US$70.512M**

Equity - NIBJ	US$ 5.0M (Preference Shares)
Promoters	US$ 13..0M
Other	US$ 28.730
TOTAL	**US$46.730M**

You will recall that the property being developed was acquired by the promoters from the Government of Jamaica in May 1990. A condition of the sale was for the development of a 240 room hotel .

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Upon receipt of the proposal for financing by NIBJ note was taken of the fact that the value placed on the land was way in excess of the original purchase price. Negotiations were entered into with the promoters to have a portion of the capital gains transfered to GOJ as equity into the project, this has been agreed in principle and is to be formalised by way of an agreement.

3.0 FINANCIAL ANALYSIS

On completion the hotel will be managed by Ritz-Carlton Hotel Company, LLC. under a twenty-year contract.

The financial projections assumes an occupancy of 61% in the first year and 68% in the second year and leveling off at 75% annually. The hotel will operate under the European Plan (EP) concept.

Under normal conditions an occupancy level of 61% in the first year of operation could be considered optimistic, however if the hotel is marketed in the manner in which it is proposed it is likely that the occupancy level being projected can be achieved.

All other assumptions seems reasonable. The company expects to make a loss in the first two years of operation.

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4.0 CONCLUSION AND RECOMMENDATION

The project seems to be marginally viable. However the benefits to be derived to the country in terms of a top of the line international hotel chain operating in the island and generation of employment the funding of US$11.7M which is being requested should be supported as follows:

NIBJ (Preference Shares)	US$5.0M
NDB (Debt)	US$6.7M

BRACO VILLAGE

INTRODUCTION

Braco Village Resorts, comprising of 180 rooms, service buildings and central facilities commenced operations in June of 1995. The property is currently being operated by Franklyn D Resorts Ltd. (FDR). Since the hotel commenced operations it has experienced continuous losses, at 1997 March unaudited accumulated losses of the hotel was $116M.

As a result of the negative operating results and continuous cash flow deficit the hotel has been unable to effectively service its debts. And on a number of occasions have requested that consideration be give to have outstanding interest payments capitalised. A significant amount of this debt is owed to various Government owned entities.

FINANCIAL STRUCTURE

Consequent on this untenable situation a decision was taken to look at the overall exposure of GOJ and make recommendations to the Development Council which are designed to ensure that GOJ's interest in this development is adequately protected.

Investigations reveal the following debt/equity structure of the company:

	TOTAL	GOJ/RISK	GOJ/AFI RISK	%GOJ/RISK
Equity	$248M	113.3M	-	45.7%
Debt	$462.8M	$116M	$227.5M	25% (74.2%)

Due to Braco Resorts inability to service all its debts the outstanding interest payments which they have sought the GOJ lenders to capitalize total $83.4M. which increases the direct total GOJ risk to approximately $200M.

In addition to the above investment in Braco Resorts Ltd. there are other investments in this development as follows:

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BRACO VILLAGE

Braco Operations Ltd. - Equity of $48.1M

CENM Investors Ltd. (Braco Pebbles)-Equity of $40M, Direct GOJ debt of $70M and a AFI/GOJ debt of $150.4M. It should be noted that there is a further $8.4M of GOJ equity in CENM through a company named Resorts Investors Ltd. Please note that the direct GOJ equity of $40M was acquired at 20 times the price of the other shares in that company.

CURRENT POSITION

The Board of Directors and its Principal Officers have been advised of the concernes of GOJ and have been advised that the following steps are necessary and must be taken:

1. That the contract of the current operator (FDR) be terminated.

2. That a new operator be identified. That GOJ's representatives be ntegrally involved in the negotiations with the prospective replacement operators of the property.

3. That the strucuture of the Board of Directors be examined in terms of GOJ having greater representation on same.

4. That the financing structure of the Company be looked at and a new financing plan sent to NIBJ for approval.

5. That all mortgages for GOJ debt be registered without further delay.

6. That the current inter-company relationships be retionalised and streamlined.

The Board of directors have already taken steps to deal with (1) and (4)above.

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BRACO VILLAGE

RECOMMENDATION

A number of GOJ institutions have not yet disbursed all funds that have been approved, it is therefore being recommended that until all the points mentioned above have been adequately addressed no further disbursements be made. Of particular importance are:

1. The restructuring of the board.

2. Agreement of the terms and conditions of the new managers.

3. Appointment of the new managers.

4. The need to be able to exercise lender's rights and share holder's rights.

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National Investment Bank of Jamaica
Investment Projects
as at 30 April 1997

1

DC 22 OPM 13/97

Item 6

	Project Name	Industry/ Sector	Amount Committed	%	Amount Disbursed
1	Surrey Hatcheries and Farm Ltd.	Agriculture	3 240 000.00		0.00
2	Fellowship Aquaculture Ltd.	Agriculture	2 800 000.00		2 800 000.00
3	Mount Pleasant Estates	Agriculture	20 000 000.00		15 950 000.00
4	Westban	Agriculture	12 000 000.00		12 000 000.00
5	Coffee Industries Ltd.	Agriculture	4 845 000.00		0.00
6	NCST - Waste Water Management Project	Agriculture	3 000 000.00		0.00
7	B & D Trawling Limited	Agriculture*	20 000 000.00		20 000 000.00
8	Fort Stewart Farms Limited	Agriculture*	5 000 000.00		0.00
9	Jamaica Livestock Association	Agriculture	6 247 568.00		6 247 568.00
	Subtotal for	**Agriculture**	**77 132 568.00**	**3.87%**	**56 997 568.00**
10	Grizzly's Entertainment Ltd.	Entertainment	13 000 000.00		7 467 083.00
	Subtotal for	**Entertainment**	**13 000 000.00**	**0.65%**	**7 467 083.00**
11	InfoChannel	Information Technology	7 139 123.00		7 139 123.00
	Subtotal for	**Information Technology**	**7 139 123.00**	**0.36%**	**7 139 123.00**
12	Kokoya Group	Manufacturing	5 000 000.00		0.00
13	Fellowship Hall Development Complex	Manufacturing	20 000 000.00		15 000 000.00
14	Canco Ltd.	Manufacturing	6 800 000.00		6 800 000.00
15	Jamaica Edible Oils and Fats Co. Ltd.	Manufacturing	18 000 000.00		18 000 000.00
16	International Magnetic Products	Manufacturing	8 770 000.00		8 770 000.00
17	International Magnetic Products II	Manufacturing	7 000 000.00		7 000 000.00
18	Taylor Made Apparel Ltd.	Manufacturing*	8 000 000.00		0.00
19	Century Corporation Ltd.	Manufacturing*	20 000 000.00		20 000 000.00
20	Barret Furniture Company Limited	Manufacturing*	10 000 000.00		10 000 000.00
21	Wilpak Corporation	Manufacturing*	20 000 000.00		0.00
	Subtotal for	**Manufacturing**	**123 570 000.00**	**6.20%**	**85 570 000.00**
22	Clarendon Lime Co. Ltd. Phase 2	Mining	22 400 000.00		0.00
23	Clarendon Lime Co. Ltd. Phase 1	Mining	10 550 000.00		10 550 000.00
24	North Coast Bauxite Exploration Project	Mining	30 000 000.00		27 500 000.00
25	Western Cement Company	Mining	11 200 000.00		11 200 000.00
26	Faurens Limited	Mining*	6 000 000.00		0.00
	Subtotal for	**Mining**	**80 150 000.00**	**4.02%**	**49 250 000.00**
27	La Mirage Hotel	Tourism - Small Hotel*	8 000 000.00		0.00
28	Casa de Paradise	Tourism - Small Hotel*	10 200 000.00		0.00
29	Tigress Cottages	Tourism - Small Hotel*	4 000 000.00		4 000 000.00
30	Blue Harbour Hotel	Tourism - Small Hotel*	3 500 000.00		3 500 000.00
31	Royal Court Hotel & Health Resort	Tourism - Small Hotel*	7 000 000.00		7 000 000.00
32	Club Inferno Resort Hotel & Restaurant	Tourism - Small Hotel*	20 000 000.00		16 693 491.00
33	Carabic Vacations	Tourism - Small Hotel*	5 700 000.00		0.00
	Subtotal for	**Tourism - Small Hotel**	**58 400 000.00**	**2.93%**	**31 193 491.00**
34	Braco Pebbles	Tourism	105 000 000.00		105 000 000.00
35	Drax Hall Hotel and Golf Club (Marriott)	Tourism	210 000 000.00		0.00
36	Hedonism Runaway Bay	Tourism	245 000 000.00		0.00
37	Couples, Negril	Tourism	140 000 000.00		0.00
38	Mahoe Beach Village Resort	Tourism	56 000 000.00		1 085 000.00
39	Seawind Resort	Tourism	350 000 000.00		0.00
40	Braco Village	Tourism	27 600 000.00		27 600 000.00
41	Nautilus Submersibles Ltd.	Tourism	23 000 000.00		0.00
42	Real Resort (Beaches Negril)	Tourism	72 743 190.00		72 743 190.00
43	Port Royal Development Feasibility Study	Tourism	4 600 000.00		4 600 000.00
44	Port Royal Development Co. Advance	Tourism	14 000 000.00		14 000 000.00
45	Swept Away - Trelawny	Tourism	175 000 000.00		0.00
46	Ritz-Carlton at Rose Hall	Tourism	210 000 000.00		0.00
	Subtotal for	**Tourism**	**1 632 943 190.00**	**81.96%**	**225 028 190.00**
		Grand Total	**1 992 334 881.00**	**100.00%**	**462 645 455.00**

* Projects approved under the Debt restructuring Programme (DRP)

Grand Total Under DRP	**147 400 000.00**	**81 193 491.00**

@ NIBJ's commitment has since been declined by the company

#The committment made to this project is to be withdrawn

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97-05-07

NATIONAL INVESTMENT BANK OF JAMAICA

US$50.0M Bond
Equity Investment
Status as at 30 April 1997

				(US$M)
1	Financing Objective			$50.00
2	Bridging finance through Bank of Nova Scotia			$25.00
3	Drawdown to date from BNS			$21.00
4	Disbursed to date:	a) NDB	$5.00	
		b) Braco Pebbles	$3.00	
		c) Mahoe Beach Village	$0.03	
		c) Int. Mag. Prod.	$0.20	
		g) Port Royal Tourism Project	$0.40	$8.63

5 Committed to projects:

Project	Amount	
a) Hedonism Runaway Bay*	$7.00	
b) Drax Hall Marriott	$6.00	
c) Seawind Resort*	$10.00	
d) Couples Negril	$4.00	
e) Swept Away - Trelawny	$5.00	
f) Mahoe Beach Village (Bal)	$1.57	
g) Ritz-Carlton at Rose Hall	$6.00	$39.57

6	Balance (3-4-5)		**($27.20)**
7	Pipeline:		
	a) Beaches Whitehouse* @	$10.00	
	b) Port Royal Tourism Project (Bal) @	$3.60	
	c) Mammee Bay Hotel #	$5.00	
	d) Sea Splash Plantation#	$3.00	$21.60
8	Deficit Funding (6 - 7)		**($48.80)**

* On Original Proposal list
\# Proposal received
@ Awaiting Proposal

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NATIONAL INVESTMENT BANK OF JAMAICA

J$1.0B Development Bond
Equity Investments
Status as at 30 Arpil 1997

				(J$M)
1	Subscribed to date			$430.50
2	Received to date			$430.50
3	Sinking Fund repayment			$17.94
4	Disbursed to date:	NDB	$200.00	
		Port Royal Tourism Project	$4.60	
		Fellowship Aquaculture	$2.80	
		Mt. Pleasant Estates	$15.95	
		International Magnetic Prod	$8.80	
		Western Cement Company	$11.20	
		Grizzly's Entertainment	$7.46	
		Canco Limited	$6.80	
		Jamaica Livestock Assn.	$6.25	
		Ja. Edible Fats & Oils	$18.00	$281.86
5	Committed to projects:			

Project	Amount	
a) Clarendon Lime	$22.40	
b) Surrey Hatcheries	$3.20	
c) Mt. Pleasant Estates (Bal	$4.05	
d) Kokoya Group	$5.00	
e) Nautilus Submersibles	$23.00	
f) Grizzly's (Bal)	$5.54	
g) Coffee Industries	$4.85	
h) NCST-Waste Water	$3.00	$71.04

6	Pipeline: 10 projects totalling $133.95M	
7	Balance (2-3-4-5)	**$59.66**

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NATIONAL INVESTMENT BANK OF JAMAICA
Debt Restructuring Programme
Equity Investments
Status as at 30 April 1997

(J$M)

A	**General Program**		
1	Financing Objective:		
	From $1.0B Bond	$500.00	
	From the Capital Development Fund	$400.00	$900.00
2	Received to date:		
	From the Capital Development Fund	$400.00	$400.00
3	Disbursed to date:		
	a) Century Corporation Limited	$20.00	
	b) B & D Trawling	$20.00	
	c) Barrett Furniture Limited	$10.00	$50.00
4	Committed to projects:		
	a) Taylor Made Apparel	$8.00	
	b) Fort Stewart Farms Limited	$5.00	
	c) Wilpak Corporation	$20.00	
	d) Faurens Limited	$6.00	
	e) SBAJ Fellowship Hall Development*	$35.00	$74.00
6	Pipeline: 25 projects totalling $315.20M		
7	Balance (2-3-4)		**$276.00**

* Special approval given by Financial Secretary for CDF funds to be used for onlending to NDB for this project

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			(J$M)
B	**Small Hotel Subsector**		
1	Financing Objective:		
	From the Capital Development Fund		$100.00
2	Received to date:		
	From the Capital Development Fund		$100.00
3	Disbursed to date:		
	a) Royal Court Hotel	$7.00	
	b) Tigress Cottages	$4.00	
	c) Blue Harbour Hotel	$3.50	
	d) Club Inferno Hotel	$16.70	$31.20
4	Committed to projects:		
	a) La Mirage Hotel	$8.00	
	b) Casa de Paradise	$10.20	
	c) Club Inferno (Bal)	$3.30	
	d) Caribic Vacations	$5.70	$27.20
6	Pipeline: 8 projects totalling $39.3M		
7	Balance (2-3-4)		**$41.60**

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NATIONAL INVESTMENT BANK OF JAMAICA

Cumulative Funding Position for Equity Investments As at 30 April 1997

		(J$M)
1	**Received to date:**	
	J$1.0 B bond	$430.50
	US$ 50.0M Bond (US$21.0M)	$735.00
	CDF	$500.00
		$1 665.50
2	**Disbursed to date:**	
	J$1.0 B bond	$299.80
	US$ 50.0M Bond (US$8.63M)	$302.05
	CDF	$81.20
		$683.05
3	**Committed to date:**	
	J$1.0 B bond	$71.04
	US$ 50.0M Bond (US$39.57M)	$1 384.95
	CDF	$101.20
		$1 557.19
	Net Cash Available (1-2-3)	
	J$1.0 B bond	$59.66
	US$ 50.0M Bond (US$27.20M)	($952.00)
	CDF	$317.60
		($574.74)

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Notes

1 Included in the amount committed for the US$50M Bond is US$6M (J$210M) for Drax Hall Marriott who has approached NIBJ to underwrite the financing gap of US$31.7M
2 Included in the amount committed for the US$50M Bond are US$5M for Swept Away Trelawny and US$7M for Hedonism Runaway Bay who have approached NIBJ for additional financing of US$10M (approx) and US$9M (approx) respectively
3 Net cash available excludes all amounts shown in "Pipeline"
4 An exchange rate of J$35 to US$1 has been used

NATIONAL INVESTMENT BANK OF JAMAICA
APPROVED PROJECTS

Print Date 07-May-97

	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
1	Westban	Agriculture	The project involves revitalizing the banana industry in Western Jamaica thru :- establisment of 1200 hectares of export quality banana, provision of extension service and co-ordination of the sales of export fruits.	$42 500 000.00	$12 000 000.00	01-Mar-93	$12 000 000.00	CDF	Funds fully disbursed. Project at a stand still and unable to achieve its targeted objectives. NIBJ has been approached to provide additional funding. ACB reviewing to see if the project can be revitalised.
2	B&D Trawling Limited	Agriculture	Refinancing of the debt of a company involved in the catching, processing and exporting of conch and lobster primarily to the US.	$35 000 000.00	$20 000 000.00	27-Feb-97	$20 000 000.00	CDF	Legal documents finalized; funds fully disbursed.
3	Fort Stewart Farms Ltd.	Agriculture	St. Mary based farm that produces payaya for export seeks to refinance high interest debt.	$18 000 000.00	$5 000 000.00	27-Feb-97	$0.00	CDF	Legal documentation to be finalized.
4	Fellowship Hall Development Complex	Manufacturing	The construction of factory and commercial space and housing complex on a phased basis at Fellowship Hall, St. Catherine.	$96 100 000.00	$20 000 000.00	23-Jul-95	$15 000 000.00	CDF	Completion set for June 1997.
5	Taylor Made Apparel Ltd.	Manufacturing	Refinancing of high interest debt of a contract apparel manufacturing plant in Montego Bay.	$29 000 000.00	$8 000 000.00	07-Jan-97	$0.00	CDF	Conditions not yet satisfied, most important is the finalization of security documentation with NCB.
6	Wilpac Limited	Manufacturing	Refinancing of existing high interest debt to retore viability of the plastic packaging company.	$70 000 000.00	$20 000 000.00	27-Feb-97	$0.00	CDF	Conditions not yet satisfied.

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
7	Century Corporation Ltd.	Manufacturing	Maufacturers of whole milk for the local market - refinancing of existing debt required.	$75 000 000.00	$20 000 000.00	26-Sep-96	$20 000 000.00	CDF	All conditions met, restructuring finalized, factory fully operational.
8	Barrett Furniture Co. Ltd.	Manufacturing	Refinancing of high interest debt of a furniture manufacturing establishment to restore viability.	$17 000 000.00	$10 000 000.00	27-Feb-97	$10 000 000.00	CDF	Legal documentation finanlized and funds fully disbursed.
9	Faurens Limited	Mining	The project involves the extraction of marble blocks as well as aggregates and sand for building and road construction. The operation which is located in Colbeck, St. Catherine requires funding to refinance debt.	$16 000 000.00	$6 000 000.00	27-Feb-97	$0.00	CDF	Conditions not yet satisfied.
10	North Coast Bauxite Exploration Project	Mining	Feasibility study to establish a one million tonne/annum alumina plant in Jamaica. Funding is being sought for the local component of the study ie. bauxite reserve evaluation and laboratory work.	$30 000 000.00	$30 000 000.00	26-Sep-94	$27 500 000.00	CDF	Feasibility study almost complete. Progress satisfactory to date.
11	Clarendon Lime Co. Ltd. Phase 1	Mining	Phase 1 of an integrated limestone complex which involves the construction of limestone crushing plant and quarring facilities at Woodside, Clarendon.	$59 500 000.00	$10 550 000.00	23-Jul-95	$10 550 000.00	CDF	Fully disbursed. Crushing plant became operational in March 1996 but is now at a stand still. Original project proposal reviewed and recommendation being made to allow continuation of project.
12	Caribic Vacations Ltd.	Small Hotel	Refinancing of a tour and destinations management company catering to the European and S. American markets, and a 18-room hotel in Montego Bay.	$10 700 000.00	$5 700 000.00	24-Apr-97	$0.00	CDF	Conditions precedent to disbursement not satisfied.
13	Casa de Paradise	Small Hotel	Refinancing of a 24-room hotel in Montego Bay. Additional financing is also required to complete hotel.	$49 500 000.00	$10 200 000.00	26-Sep-96	$0.00	CDF	Shareholders unable to resolve issues relating to the formation of a new company. NIBJ's offer may be withdrawn if the matter is not resolved shortly.

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
14	Tigress Cottages	Small Hotel	Refinancing of a 45-room hotel in Negril.	$6 000 000.00	$4 000 000.00	01-Oct-96	$4 000 000.00	CDF	Debt restructuring exercise sucessfully concluded.
15	Royal Court Hotel & Health Resort	Small Hotel	Restructuring of high interest debt of a 25-room hotel located in Montego Bay.	$12 000 000.00	$7 000 000.00	26-Sep-96	$7 000 000.00	CDF	Conditions satisfied, debt restructured. Hotel experiencing low occupancy, professional marketing expertise being sought.
16	La Mirage Hotel	Small Hotel	Refinancing of a small hotel in Montego Bay with a room capacity of 22, restaurant and convention facilities.	$16 000 000.00	$8 000 000.00	26-Sep-96	$0.00	CDF	The original commercial bank has withdrawn their agreement to participate in the restructuring exercise. Efforts being made to find alternative.
17	Club Inferno Resort Hotel & Restaurant	Small Hotel	Refinancing of the debt of a hotel and restaurant situated at the Holiday Village in Montego Bay.	$20 000 000.00	$20 000 000.00	07-Jan-97	$16 693 491.10	CDF	All conditions met. Refurbishing not yet completed, however functions e.g. shows and receptions are being held on the property.
18	Blue Harbour Hotel	Small Hotel	Debt restructuring of a 22-room hotel in Montego Bay.	$7 000 000.00	$3 500 000.00	07-Jan-97	$3 500 000.00	CDF	Debt restructured, hotel enjoying 50% occupancy by marketing on the Internet. Promoters to source NDB facility for refurbishing.
19	Real Resort (Beaches Negril)	Tourism	Construction of a 225-room "all-inclusive" resort conplex in Long Bay, Negril catering to singles, couples and families.	1 280 000 000.00	$72 743 190.00	01-Apr-95	$72 743 190.00	CDF	Fully disbursed. Resort became fully operational in December 1996.
20	Braco Village	Tourism	First phase of Braco Development,Trelawny involving the construction of a 180-room resort targeting adult couples and singles.	$90 000 000.00	$27 600 000.00	26-Sep-94	$27 600 000.00	CDF	Fully operational. The Village has been experiencing cash flow constraints. Approval granted by NIBJ to capitalize the interest up to Feb. 1997 of $7.6M.
			Total:	**J$1 979 300 000.00**	**J$320 293 190.00**		**J $246 586 681.10**		

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
21	Jamaica Livestock Association	Agriculture	NIBJ's commitment to co-underwrite the rights issue in the event of it being under subscribed.	$54 500 000.00	$6 247 568.50	24-Oct-96	$6 247 567.50	J$ 1 billion bond	Fund disbursed 24 December 1996.
22	Surrey Hatcheries and Farm Ltd.	Agriculture	Conversion of existing fish farm in Portland into a tropical exotic fish farm for export to the US market.	$15 321 680.00	$3 240 000.00	25-Apr-96	$0.00	J$ 1 billion bond	None of NIBJ's preconditions have been met. Having an EIA done is the most critical condition. Possibility of NIBJ's commitment being withdrawn.
23	NCST - Waste Water Management	Agriculture	The establishmentof a pilot project to produce sorghum for animal feed on 40 hectares of land, using waste water from the Greater Portmore Housing Scheme.	$16 153 228.00	$3 000 000.00	24-Oct-96	$0.00	J$ 1 billion bond	Disbursement schedule to be submitted.
24	Fellowship Aquaculture Ltd.	Agriculture	Refinancing of 87 acre fish farm in St. Catherine in order to recommence the production of fingerlings.	$5 500 000.00	$2 800 000.00	25-Apr-96	$2 800 000.00	J$ 1 billion bond	The farm has been rehabilitated and is fully operational.
25	Coffee Industries Ltd.	Agriculture	Expasion of existing processing facilities by the purchase of equipment and working capital.	$80 000 000.00	$4 845 000.00	24-Oct-96	$0.00	J$ 1 billion bond	Legal documentation and the satisfaction of NIBJ's conditions near completion.
26	Mount Pleasant Estates	Agriculture	Located on 145 acres in Balcarres, Portland the project will involve 1) vertically integrated coffee production and 2) development of a cultural/ ecotourism product as well as repayment of high interest debt.	$153 395 200.00	$20 000 000.00	01-May-96	$15 950 000.00	J$ 1 billion bond	Financing finalized with Horizon. Coffee farm rehabilitated and acrage increased. Some debt has been repaid. Project ongoing.
27	Grizzly's Entertainment Ltd.	Entertainment	The development of 2 integrated Entertainment park complexes in Negril, Westmoreland and Priory, St. Ann. Facilities will include auditorium, disco, cinema, studio music theme park museum and merchandising facilities.	$149 728 350.00	$13 000 000.00	26-Sep-96	$7 467 083.50	J$ 1 billion bond	Refurbishing of auditorium,stage and kitchen facilities in progress and construction of disco and music studio to commence shortly.

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
28	International Magnetic Products	Manufacturing	Financing of the expansion of an existing conpany to purchase equipment and working capital. The company assembles transformers, inductors and coils for Far Eastern and US suppliers.	$18 375 000.00	$8 770 000.00	26-Sep-96	$8 770 000.00	J$ 1 billion bond	Fully disbursed. Expansion has started and plant operational.
29	Jamaica Edible Oils and Fats Co. Ltd.	Manufacturing	Establishment of an oil refinery utilising crude palm oil from Latin America.	$152 000 000.00	$18 000 000.00	25-Jul-96	$18 000 000.00	J$ 1 billion bond	Construction and the intallation of machinery and equipment underway. Conditions met and funds fully disbursed.
30	Canco Ltd.	Manufacturing	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.	$18 450 000.00	$6 800 000.00	25-Jul-96	$6 800 000.00	J$ 1 billion bond	Expansion completed. Factory operational and supplying products to local and Canadian markets.
31	Kokoya Group	Manufacturing	The manufacturing of garments for the professional woman in the European marketplace, utilizing state of the art production facilities in the Kingston Freezone.	$43 950 000.00	$5 000 000.00	01-May-96	$0.00	J$ 1 billion bond	Financing agreement not in place. Promoters actively trying to close financing gap.
32	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.	$392 000 000.00	$11 200 000.00	28-Oct-96	$11 200 000.00	J$ 1 billion bond	Conditions met, funds fully disbursed and mining operations are expected to commence in the first half of 1997.
33	Clarendon Lime Co. Ltd. Phase 2	Mining	The installation and commissioning of a Lime plant. $ 22.4M approved Feb 1997.	$200 000 000.00	$22 400 000.00	01-Feb-96	$0.00	J$ 1 billion bond	Financing not yet finalized. No work has started on the project. Project being reviewed to determine size of plant.
34	Nautilus Submersibles Ltd.	Tourism	Development of an underwater tour of the Ocho Rios marine park utilising a 46 seater submarine.	$199 369 800.00	$23 000 000.00	25-Jul-96	$0.00	J$ 1 billion bond	Additional US$0.2M (eqv. J$7M) approved to fill financing gap. Promoters seeking off-shore financing. Project has not started.

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
35	Port Royal Development Co.	Tourism	Feasiblity study for the development of Port Royal.	$15 000 000.00	$4 600 000.00	01-Feb-96	$4 600 000.00	J$ 1 billion bond	Fully disbursed. Feasibility study completed and Memorandum of Understanding signed with G.O.J.
			Total:	**J$1 513 743 258.00**	**J$152 902 568.50**		**J$81 834 651.00**		
36	InfoChannel	Information Tech	The project involves the services to support and faciliate the development and distribution of telecommunication and information technology.	$35 750 013.00	$7 139 123.00	24-Oct-96	$7 139 123.00	NIBJ's Funds	Fully disbursed. The project is fully operational. Subscription for service continue to increase above expectations.
			Total:	**J$35 750 013.00**	**J$7 139 123.00**		**J$7 139 123.00**		

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
37	International Magnetic Products II	Manufacturing	Additional funds approved to cover shortfall in working capital. Project cost same as under J$ Bond.	$0.00	$200 000.00	28-Nov-96	$200 000.00	US$ 50 million bond	All conditions satisfied. Fully disbursed. Plant operational.
38	Braco Pebbles	Tourism	Second phase of Braco Village, involving the development of a 280-suite all-inclusive family resort.156 of which will be sold and leased back. US$3M approved March '96.	$11 800 000.00	$3 000 000.00	01-Mar-96	$3 000 000.00	US$ 50 million bond	This poject involves four phases. NIBJ has invested in Phase 1 which is the construction of 52 units. Sale of these units will finance the other phases. Constuction onear completion, anticipated opening July 1997.
39	Swept Away - Trelawny	Tourism	The construction of a 227-room all-inclusive hotel on 37 acres of land in Duncans Bay, Trelawny.	$45 000 000.00	$5 000 000.00	28-Nov-96	$0.00	US$ 50 million bond	Construction has not started as financing gap exists. G.O.J. has been approached to close the gap.
40	Seawind Resort	Tourism	UDC and private investors for the expansion of property by the addition of 146 rooms and central facilities including a convention hall, to realise a 250 room all-inclusive resort.	$18 750 000.00	$10 000 000.00	25-Apr-96	$0.00	US$ 50 million bond	Financing arrangements to be finalized. Sponsors in process of finalizing all agreements, contracts etc.
41	Mahoe Beach Village Resort	Tourism	Refinancing of a beach park in Montego Bay.	$9 600 000.00	$1 600 000.00	25-Apr-96	$31 000.00	US$ 50 million bond	Legal documentation finalised however the project has been upgraded and the sponsors have indicated that they will approach NIBJ for additional funding as well as source off-shore financing.
42	Couples, Negril	Tourism	Development of a 250-room all-inclusive resort targeting the 25-35 age group, located in Bloody Bay, Negril on 15 acres of land with 100 feet of beach frontage.	$22 000 000.00	$4 000 000.00	24-Apr-96	$0.00	US$ 50 million bond	Pre-construction activities in progress. All conditions satisfied. First disbursement scheduled for May 1997.
43	Hedonism Runaway Bay	Tourism	An all-inclusive hotel with 225 rooms. It will be marketed as a "fun" resort catering to middle and upper end couples and singles.	$31 000 000.00	$7 000 000.00	01-Feb-96	$0.00	US$ 50 million bond	Financing not in place. Pre-construction phase complete but actual construction has not yet commenced. G.O.J. has been approched for additional financing.

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	Company Name	Industry/Sector	Description	Total Project Cost	Amount Approved	Date Approved	Amount Disbursed	Source	Status/Progress
44	Ritz-Carlton at Rose Hall (Rollins)	Tourism	The Ritz-Carltn at Rose Hall, Monteg Bay will consist of 388 deluxe guest rooms and 42 suites facing the sea and incorporating the architectural style of the Great House on the property. The hotel will also off a spa and golf facilities.	$117 241 932.00	$6 000 000.00	30-Apr-97	$0.00	US$ 50 million bond	Board approval granted 30 April 1997.
45	Drax Hall Hotel and Golf Club (Marriott)	Tourism	The development of 180 villa lots, villas, 15 condo sites, a 27-hole golf course, a 100 slip marina and village and a 280-room beachfront hotel on 800 acres of land in St. Ann.	$64 700 000.00	$6 000 000.00	01-Mar-96	$0.00	US$ 50 million bond	Financing to be finalized. Construction expected to commence in the 2nd quarter of 1997. G.O.J. has been approached for additional assistance by way of guarantee.
46	Port Royal Dev. Co. Ltd. II (Advance)	Tourism	The total project is expected to cost US$52.0M however project document has not been finalized. NIBJ has advanced on US$2.0M private placement.	$52 000 000.00	$400 000.00	27-Feb-97	$400 000.00	US$ 50 million bond	Project document to be finalized.
			Total:	**US$372 091 932.00**	**US$43 200 000.00**		**US$3 631 000.00**		
			J$ Equivalent at J$35:US$1	**J$13 023 217 620.00**	**J$1 512 000 000.00**		**J$127 085 000.00**		
			GRAND TOTAL IN J$	**J$16 552 010 891.00**	**J$1 992 334 881.00**		**J$462 645 455.00**		

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Item 7.2

BACKGROUND INFORMATION

NATIONAL INDUSTRIAL POLICY IMPLEMENTATION UPDATE -MAY 1997

1.0 PUBLIC AWARENESS PROGRAMME

1.1 The Public Awareness Programme of the National Industrial Policy continued with a presentation in May Pen, Clarendon on 1997 April 24. Approximately forty (40) persons were in attendance.

An overview of the National Industrial Policy was made by JAMPRO's Vice President of Production and Development, Mrs. Veniece Pottinger. The main presentation was done by Senator the Honourable Maxine Henry-Wilson, Minister without portfolio in the Office of the Prime Minister. Based on the theme: **"National Industrial Policy: Social Issues"**, Senator Henry-Wilson gave an overview of the Policy, highlighting aspects of the poverty alleviation programme being implemented. She also addressed the issue of gender inequalities and the status of women in the Jamaican society.

1.2 A parish presentation is being organized for Trelawny on 1997 June 5. To be presented by the Honourable Roger Clarke, Minister of Local Government and Works, the theme will be "**National Industrial Policy : Infrastructure for Development**".

1.3 The next Public Awareness Programme is scheduled for 1997 June 26 at the Invercauld Hotel in St. Elizabeth. This presentation is being done in conjunction with a seminar on investment opportunities in the parish, being hosted jointly by the St. Elizabeth Homecoming Committee and JAMPRO.

1.4 The remaining parishes to host presentations are St. James and Kingston and St. Andrew.

2.0 INDUSTRY ADVISORY COUNCIL

2.1 The main private sector activity undertaken since the last Development Council meeting, was a press conference at the offices of JAMPRO on 1997 May 6, officially launching the Industry Advisory Council for Cluster #4 of the National

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Industrial Policy. Targeting the Apparel and Light Manufacturing groups, the Cluster will be subdivided in two separate groups, reporting to one Chairman.

At the press conference, presentations were made by the Presidents of JAMPRO, Jamaica Chamber of Commerce and the Jamaica Manufacturers' Association. The main presentation was done by Senator Phillip Paulwell, Minister of State in the Ministry of Industry, Investment and Commerce. Senator Paulwell outlined the Terms of Reference of the Council, while lauding the relationship between private sector, labour and Government in participating and becoming members of the Council. He urged the members to give their all to the task.

2.2 The private sector has initiated discussions on the formation of an Industry Advisory Council for Cluster #5, Minerals, Caustic Soda, Chemicals and Ceramics, after which it will target Cluster #3 - Agro Processing, Fresh Produce, Natural Fibres, Horticulture and Marine Products.

3.0 OTHER PRIVATE SECTOR ACTIVITIES

3.1 The private sector, in collaboration with JAMPRO and other Government agencies, is organizing a seminar on the theme "Public/Private Partnering - Investment Opportunities in Infrastructural Development". The purpose of this presentation, to be held 1997 June 19-20, is to bring the various entities involved in project management together to "fast track" the implementation of infrastructural development. Other agencies involved in the planning of the seminar are the IDB, World Bank, Caribbean Development Bank, Urban Development Corporation, Office of the Prime Minister, Ministry of Finance and Planning, Ministry of Public Utilities and Transport, Planning Institute of Jamaica and private financial institutions.

4.0 WORKPLANS

4.1 JAMPRO made a presentation to a meeting of the Permanent Secretaries' Board on 1997 April 16. Weaknesses identified in the Workplans received from the various Ministries and Agencies were outlined. Updates on the plans were requested.

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4.2 JAMPRO prepared updated sector plans for the Technical Secretariat of the Development Council for use in the preparation of a review of the first year's implementation of the National Industrial Policy.

5.0 OTHER MATTERS

5.1 G.P.D. Communications Jamaica Limited

The matter of the application for two licences by G.P.D. Communications Limited was referred to a sub-Committee of the Investment Facilitation Board. At the first meeting held on 1997 April 14, under the chairmanship of the Minister of Industry, Investment and Commerce. At that meeting, concern was expressed about the amount of spectrum required and it was decided that discussions would be held with the Company to ascertain whether the amount could be reduced. Another meeting to finalize the matter has been arranged for 1997 May 8, under the chairmanship of Minister Robertson.

JAMPRO
1997 May 7

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1 Item 7.1

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NATIONAL INDUSTRIAL POLICY

Review and Assessment of Performance in the First Year

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Technical Secretariat
Development Council
Office of the Prime Minister

May 6, 1997

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EXECUTIVE SUMMARY

A. Background

1. The National Industrial Policy (NIP), adopted in March 1996 after careful study and intensive consultations, expresses the consistent principles, policies, and programmes that underpin Government's long-term vision of the pathway to a more prosperous economic future with a better quality of life for the Jamaican people.

2. In the course of the first year since adoption of this Policy, efforts have been made to implement various initiatives and measures called for in the Policy and to involve in this process both the responsible government agencies and groups in the private sector.

3. This review takes stock of the progress made to date, the hurdles that remain to be overcome, and the priorities to be confronted in the period immediately ahead.

B. The Social Partnership

1. Continuing efforts were made throughout the year to negotiate the terms of a structured agreement as the basis for a Social Partnership that would allow cooperation in decision-making and action among all the partners.

2. Detailed terms of an agreement have been worked out and remain to be approved by all partners.

3. In the meantime, Government has moved to implement various initiatives, as indicated in this review, in its determination to establish the conditions and requirements for such a Partnership to work effectively. The achievement of macroeconomic stability is itself a major plank in this process. Other initiatives at the microeconomic level have also served this goal.

4. The National Planning Council continued to play a role in coordinated planning and action among the partners. Industry Advisory Councils are being formed to focus on sector-specific issues in the sectors targeted by the NIP.

C. Macroeconomic Stabilisation

1. The main focus and priority of the overall policy-thrust in the first year was the commitment to achieve macroeconomic stability, specified in terms of a decline in inflation, reduced interest rates, and a stable exchange rate. This objective has been substantially achieved.

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2. This achievement lays the groundwork necessary for moving the economy forward now in the transition to the new phase of growth with stability as called for in the NIP.

3. Some of the necessary elements now in place for making this transition are: the weakening of inflationary expectations and reduction in the cost of capital for investment in production.

D. Stimulating Investment and Growth

1. Although macroeconomic factors have been favourable to investment and growth, other factors have tended to play an inhibiting role. Among these are the restructuring taking place in the financial sector and the fact that many firms still suffer from the handicap of a heavy debt overhang. Government has sought to address directly these factors.

2. Various methods and techniques have been developed for (a) increasing the supply of funds available through public-sector lending institutions, (b) improving conditions of access for small and medium-size firms with viable projects that generate employment and export earnings, and (c) channeling funds to allow restructuring and refinancing of viable enterprises.

3. The Financial Institutions Structural Adjustment Company (FINSAC) has been established by Government to deal with problems of the financial sector. A well-structured programme of rehabilitation has been instituted to deal with cases of weakness. New measures for reform, monitoring, and supervision are being developed that will strengthen the sector and maintain its viability as a vital element in the economy.

4. These efforts on the financial side have been complemented by other government-sponsored efforts in the areas of fiscal incentives, support services for marketing and production, investment packaging, remedying bottleneck factors through investment facilitation, and pursuit of an aggressive trade policy.

5. A quantitative assessment of the outcome of these efforts in terms of actual investments is provided by an analysis of investment projects in the pipeline passing through the public sector institutions. This analysis shows that there is a large volume of projects, widely distributed over different economic sectors, that are on stream or have reached actual start-up.

E. Sectoral and Micro-level Initiatives

1. At the sectoral and micro-level, various activities have been carried out and new initiatives and targets proposed for continued action in furtherance of the goals of the NIP. These are reviewed in detail for individual sectors and product lines in relation to seven specific objectives that serve to operationalise the broad goals of the NIP.

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2. The detailed data presented reveal a significant record of achievement on all counts. Especially notable are achievements in the areas of market penetration and export diversification and in organizational strengthening through building strategic alliances and networks among firms and agencies. Strong efforts are also being made in particular sectors to develop a sharper focus on product design and quality issues and on the exploitation of synergies between sectors.

3. Areas of weakness exist, specifically as regards efforts to improve productivity. This area must now be given renewed emphasis and close attention.

4. There were significant cases of factory closures in the manufacturing sector and weakness in performance of some farm crops. Assistance is being provided to affected firms in targeted sectors, such as Apparel and Sewn Products and the Dairy Industry. Government has put in place a broad-based support programme to deal with adjustments taking place in manufacturing and agriculture, including: anti-dumping legislation, improved monitoring and testing of imports, technical support services, training schemes, financial assistance at affordable interest rates, and infrastructural investments.

5. At the same time, there were significant expansion programmes taking place in a wide range of economic activities, representing a positive response to existing opportunities and opening up of new opportunities, and resulting from private-sector initiatives buttressed by government support.

F. The Incentive Regime

1. Various initiatives were taken during the year to amend existing legislation so as to establish a more flexible programme of incentives that benefits a broader cross-section of firms and is oriented equally to services, agriculture, and manufacturing activity.

2. In the next phase of NIP implementation, efforts are to be made to undertake a systematic overhaul of the entire incentive regime, consistent with the general thrust of the Policy and evolving international rules.

G. Infrastructure Investment and Human Resource Development

1. Strong emphasis was placed on these twin planks of the government's development thrust, within the tight constraint of a fiscal budget that leaves limited resources for capital expenditures. To relieve this constraint, Government has sought to mobilise additional resources from the local private sector and external sources and to introduce cost recovery mechanisms.

2. Major projects were undertaken or slated to begin during the year in targeted areas of physical infrastructure, including: water supply, irrigation, & sewerage; transportation; roads; seaport and airport facilities; communications; energy; industrial parks/free zones.

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3. The programme in human resource development continued to concentrate resources on improvement and expansion in the targeted areas of early childhood, primary and secondary education, and to provide training through the HEART/NTA system.

4. Systematic application of science and technology to meet diverse and changing needs in the economy and society is being pursued through a wide range of activities in research and development, product design, testing, quality control, information processing and dissemination, education and training. The various public agencies involved are being reoriented to focus their efforts. New initiatives are emerging from the private sector.

H. Strengthening the Institutional Framework

1. Crucial elements of the institutional structure that underpins the working of the economy and facilitates the process of growth and development have been the focus of attention and action during the year. These include: (a) the competitive rules governing market structure and behaviour of firms, (b) the capital-market institutions (banking, credit, insurance, and stock market), (c) the labour market, and (d) the administrative apparatus of the public sector.

2. In all of these areas, specific reform measures have been introduced to strengthen the institutions through appropriate legislative action, through the monitoring and supervisory role of state agencies, and through active consultation and joint action between Government and interested parties.

I. Priorities for the Next Phase of Policy Implementation

1. The next phase of policy implementation will focus on building on the gains already achieved so as to meet the central objective of this new phase: growth with stability.

2. Having created the conditions for macroeconomic stability, the aim is to preserve those conditions by rigorous pursuit of the appropriate monetary and fiscal policies. At the same time, it will be necessary to move the policy-mix towards greater emphasis on measures to promote investment in the productive sectors and growth of exports.

3. The key elements of the implementation strategy during this next phase are the following:

* Strengthen and reinforce measures to provide the appropriate environment of stability and predictability to facilitate long-term investment.

* Design measures to shift the balance of investment decisions from short-term financial instruments to long-term investment in the productive sectors.

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* Pursue an aggressive export-expansion programme based on proven strengths in dynamic sectors of the economy that are ripe for expansion.

* Orient government budgetary allocations to investment in human resources and infrastructure, the incentive system, and a broad-based support framework, so as to remedy bottlenecks and constraints facing producers in the targeted sectors.

* High priority is to be given to education and training of the labour force, concentrating on early education as the base of the process, in a push to prepare adults and the new generation to cope with rapid changes taking place in the economy and society.

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1. BACKGROUND

1.1 The National Industrial Policy (NIP) was adopted by Government in March 1996 as the outcome of careful study and intensive consultations held over the previous two years. ***It expresses the consistent principles, policies, and programmes that underpin Government's long-term vision of the pathway to a more prosperous economic future with a better quality of life for the Jamaican people.***

1.2 The National Industrial Policy provides ***a strategic plan*** to guide the Jamaican economy on a path of renewed growth and development and pave the way for Jamaica's entry into the 21st century. Its central concern is to promote investment, productivity and growth in the productive sectors of the economy. Its goal is, through growth of output and productivity and diversification of production, to achieve a sustainable basis for reducing unemployment and poverty and increasing income of the Jamaican people.

1.3 Conceived as ***a comprehensive and integrated approach to economic policy***, it has the complementary goals of achieving greater social equity among different socio-economic groups and preserving the natural environment.

1.4 The ***strategic focus*** of the NIP is on (a) export push, through building and sustaining targeted areas of competitive advantage in the national economy, and (b) efficient import substitution, consistent with the emphasis on international competitiveness as the key element of the Policy.

1.5 The NIP sets out a structured programme of measures dedicated to achieving these objectives in a sequential manner. It also indicates certain ***implementation procedures*** to be adopted over the short-, medium-, and long-term planning horizon.

1.6 ***Fully one year has now passed since adoption of the NIP.*** In the course of this period, efforts have been made to implement various initiatives called for in the Policy and to involve in this process both the responsible government agencies and groups in the private sector. All relevant government agencies have been required to develop action plans to ensure implementation of the Policy and to coordinate action among agencies where necessary to ensure consistency.

1.7 At the same time, significant adjustments have been taking place in the Jamaican economy, reflecting ongoing changes brought on by international and national factors and by the interventions of the NIP itself.

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1.8 This review seeks to take stock of the progress made to date, the hurdles that remain to be overcome, and the priorities to be confronted in the period immediately ahead.

2. THE SOCIAL PARTNERSHIP

2.1 Continuing efforts were made throughout the year to negotiate the terms of ***a structured agreement*** that would provide the basis for a Social Partnership. Formation of this Partnership is seen as an important and necessary foundation for establishing shared goals, participation in planning and implementation of policy, and an environment of cooperation in economic management and decision-making among all the partners.

2.2 Detailed terms of an agreement have been worked out and remain to be approved by all partners. To the extent that the institutional framework and other elements cannot be implemented unilaterally, the Government will continue to seek the cooperation of the other social partners and is fully prepared to implement them when all partners are in agreement.

2.3 In the meantime, the Government, on its part, has moved to implement various initiatives in its determination to establish the conditions and requirements for such a Partnership to work effectively. ***The achievement of macroeconomic stability during this past year is itself a major plank in this process***, as promised in the NIP. Other initiatives at the microeconomic level, outlined below, have also served this goal.

2.4 The ***National Planning Council*** has continued to play a role as a forum through which strategic planning and coordinated action can take place among the partners.

2.5 Formation of ***Industry Advisory Councils*** has been occurring within each of the targeted clusters identified by the NIP, with significant advances in the (sub-)sectors of Apparel and Textiles, Other Light Manufacture; Film, Music & Entertainment; Mining, Chemicals and Ceramics; Tourism. These Councils will provide an effective organizational basis for cooperative efforts between government and private sector representatives by focusing on sector-specific issues.

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3. MACROECONOMIC STABILISATION

3.1 The main focus and priority of the overall policy-thrust in the first year was the commitment to achieve macroeconomic stability, specified in terms of a decline in inflation, reduced interest rates, and a stable exchange rate. ***This objective has been substantially achieved in the course of this past year.***

3.2 This achievement itself has crucial significance, because ***it lays the groundwork necessary for moving the economy forward in the transition to the new phase of growth with stability as called for in the NIP.*** Some of the necessary elements now in place for making this transition are the following.

3.3 With the inflation rate trending down, nominal interest rates declining, and the exchange rate relatively stable, the stage is now set for undercutting the inflationary expectations that have plagued the economy for years. This turnaround should weaken pressures for wage and price increases in the coming year and put the economy on a firmer footing of ***policy credibility and predictability***.

3.4 As a result of the decline in inflation and in the interest rate on government bonds, lending rates of financial institutions have been induced to follow suit. This ***reduction in the cost of capital*** should help to steer investor expectations towards longer-term investment in the productive sectors and thereby provide a stimulus for a return to growth. At previously existing levels, the cost of capital had been commonly identified as a major factor inhibiting such investment.

3.5 Furthermore, the decline in interest rates on government debt instruments is expected to yield benefits in terms of ***reducing the burden of debt service payments in the national budget*** and, thereby, allowing a shift in budget allocations towards the critical areas of physical and social infrastructure and human resource development.

3.6 Generally, as these effects of macroeconomic adjustment continue to take hold, the expected payoff in terms of investment in the productive sectors and growth of income and employment will be increasingly realised. The unemployment rate, which has now settled around the 16 percent level, is still too high and must be brought down.

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4. STIMULATING INVESTMENT AND GROWTH

4.1 Although macroeconomic adjustments have been favourable to investment and growth for the reasons indicated above, other factors have tended to play an inhibiting role this past year. Government has sought to address directly these factors.

4.2 The ***private-sector financial institutions*** have experienced difficulties during the year, owing to the adjustment from a high-inflation, high-interest rate regime to the new phase of low inflation and low interest rates and to internal problems of management and operational efficiency within the sector. Sections of the sector have been undergoing stress, while others have successfully withstood the pressures. A well-structured programme of rehabilitation, operated by the newly formed Financial Institutions Structural Adjustment Company (FINSAC) set up by Government to deal with problems of the sector, has been instituted to deal with cases of weakness. This should enable the sector as a whole to move forward. In addition, new measures for reform, monitoring, and supervision are being developed that will strengthen the sector and maintain its viability as a vital element in the economy.

4.3 ***The public-sector financial institutions have been assigned a new role to act as catalyst to get production going***, for instance by providing equity funding through the National Investment Bank of Jamaica (NIBJ). To support this thrust, Government has developed various methods and techniques for:

(a) increasing the supply of funds available through public-sector lending institutions;
(b) improving conditions of access for small and medium-size firms with viable projects that generate employment and export earnings.

4.4 ***Many firms still suffer from the handicap of a heavy debt overhang***, due to the previously prevailing high interest rate and a tendency of firms to prefer debt financing. It will take time to work off this overhang as interest rates decline and internal restructuring of assets and liabilities occurs within such firms. Here again, Government's financial policy has played a facilitating role by channeling funds through loan guarantees and public-sector lending institutions to allow refinancing and restructuring of viable enterprises.

4.5 In the drive to stimulate investment and growth, these efforts on the financial side have been complemented by ***other government-sponsored efforts*** in the areas of fiscal incentives, support services for marketing and production, investment packaging, remedying bottleneck factors through investment facilitation, and pursuit of an aggressive trade policy.

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4.6 A quantitative assessment of the outcome of these efforts in terms of actual investments is provided in Appendix A by ***an analysis of investment projects in the pipeline*** that pass through the public-sector financial institutions (NDB, NIBJ) and JAMPRO. It is evident that there has been a large volume of projects, widely distributed over different economic sectors, passing through this pipeline to reach the actual start-up phase in some cases.

4.7 Other investments taking place elsewhere in the economy, not documented in this analysis, have also benefitted from these efforts.

5. SECTORAL AND MICRO-LEVEL INITIATIVES

5.1 In the National Industrial Policy, ***Government has pledged to support the private sector in its efforts to build competitive advantage in the global marketplace*** and, in this way, to serve as a catalyst for modernisation of the Jamaican economy and diversification of the production base. The Policy calls for an integrated approach that takes into account the specific needs and potentials (strengths and weaknesses) of individual sectors of production, the linkages and interdependencies among sectors, and opportunities for emergence of new dynamic sectors. The aim is to build on existing strengths while creating conditions for new opportunities to emerge.

5.2 ***The successful application of this strategy requires Jamaican firms to be innovative in all phases of their operation and to create a niche for themselves by exploiting the specific advantages that give them an edge in the international marketplace***. Firms must build and sustain their ability to compete across many different product dimensions, including price, quality, design, packaging, delivery time, range and variety of products. This requires focusing on critical elements of the production process along the continuum: R&D/design - production - distribution - marketing, and on the organization and management of these elements to ensure success.

5.3 ***Government's support*** is geared towards providing various forms of assistance and support services at different points in this process in order to enhance competitiveness of firms by addressing directly constraints that raise their costs and risks and place them at a competitive disadvantage in relation to their counterparts in other countries.

5.4 Guided by this strategy, various activities have been carried out during the year at the sectoral and micro-level and new initiatives and targets proposed for continued action in furtherance of the goals of the NIP. These ***initiatives***, ***targets***, and ***achievements***, at the level of specific sectors and product lines, are reviewed in detail in Appendix B. They are grouped

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according to ***seven objectives that serve to operationalise the broad goals of the NIP***, thereby making it possible to identify strengths and weaknesses in the policy-implementation process.

5.5 The detailed data presented in Appendix B reveal ***a significant record of achievement in policy implementation on all counts***. Especially notable are achievements in the areas of market penetration and export diversification and in organizational strengthening through building strategic alliances and networks among firms and agencies. Strong efforts are also being made to develop a sharper focus on product design and quality issues and on the exploitation of synergies between sectors in the specific cases of Textiles and Sewn Products, Tourism, and Music & Entertainment.

5.6 ***Areas of weakness*** exist, specifically as regards efforts to improve productivity. This is an area that must now be given renewed emphasis and closer attention in the ongoing process of implementation of the Policy.

5.7 To be sure, there were ***significant cases of factory closures in the manufacturing sector and weakness in performance of some farm crops***. These represent, in many cases, a process of adjustment to the far-reaching competitive changes taking place on a global level as well as pressures arising from domestic constraints. Assistance is being provided to affected firms in targeted sectors, such as Apparel & Sewn Products and the Dairy Industry, to allow viable enterprises to make adjustments through restructuring operations and upgrading productive efficiency as well as to provide safeguards against unfair competition.

5.8 ***Key features of the government's support programme for dealing with the adjustment process taking place in both manufacturing and agriculture*** include:

(a) strengthening and effective enforcement of anti-dumping legislation;
(b) improved monitoring and testing, through the Bureau of Standards and Customs Department, to ensure that imported goods meet the appropriate health, safety, and phyto-sanitary standards;
(c) provision of technical support, R&D, agricultural extension services, pest and disease control, marketing support, and financial assistance at affordable interest rates;
(d) training schemes for adapting the labor force to sector-specific skill requirements;
(e) remedying infrastructural deficiencies by investment in targeted areas of physical and social infrastructure.

5.9 At the same time, there were ***significant expansion programmes taking place in a wide range of economic activities***, representing a positive response to existing opportunities and opening up of new opportunities, and resulting from private-sector initiatives buttressed by

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government support. Examples include cigar manufacture, edible oils and fats, hotel facilities and attractions, shipping and berthing facilities (Gordon Cay), non-metallic minerals, fresh produce, processed foods, and marine products. Considerable dynamism existed in the areas of entertainment, music, and cultural products, where growing opportunities are being created for increased employment and income that are widely distributed among different income groups.

5.10 New opportunities are also emerging in the area of offshore financial services. In part as a result of the contraction in the local financial sector, Jamaica offers a pool of well trained professionals as well as physical and telecommunications infrastructure to be readily deployed in developing a niche as an attractive offshore financial services center. Initiatives in support of this thrust include developing the enabling legislation to encourage offshore industries.

5.11 In ***the bauxite/alumina sector*** a far-reaching process of restructuring has been taking place on a global level, driven by an extremely high level of competition in international markets. The local sector is constrained by the age and size of existing plants as well as the level of technology . The companies are pursuing a sustained drive for cost efficiency and improved productivity along with plans for expansion of capacity. These efforts showed up in a 8.9% increase in bauxite production and a 5.6% increase in alumina production in 1996, above the corresponding levels for 1995. Despite the increased production, the level of earnings from the sector fell by 1.5% due to adverse market conditions. To maintain its competitive position in the marketplace, it is important for the local sector to continue its cost-efficiency drive and to sustain the relatively stable labour-relations climate which existed in 1996.

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6. THE INCENTIVE REGIME

6.1 Government recognises that ***fiscal incentives***, although being no panacea for industrial competitiveness and growth, play an important economic role. They serve as an offset to distortions arising from prevailing disincentive factors and, thereby, to equalise advantages of the incentive regime faced by Jamaica-based firms with those enjoyed by competitors in other countries. In addition, they may be deployed in support of activities that are deemed to have priority preference for strategic reasons.

6.2 Currently, ***Jamaica has a complex and unwieldy system of many different incentive schemes*** inherited from past policies and programmes. In the National Industrial Policy, Government has pledged to re-examine and restructure this system so as to make it consistent with both the guiding principles of the NIP as well as the international rules and regulations that

Jamaica is subject to as signatory to the WTO and CARICOM agreements. The central thrust of the policy approach is to re-orient fiscal incentives to make them

* more transparent, simple, and automatic;
* based on quantifiable and easily monitored performance standards;
* more flexible so as to enable a broader cross-section of firms to benefit from their provisions;
* oriented equally to services, agriculture, and manufacturing activity.

6.3 Guided by these principles, Government has undertaken in the past year ***various initiatives to establish a more flexible programme of incentives***:

(a) The Export Industry Encouragement Act (EIEA) has been amended to grant tax relief to firms exporting a minimum of five percent of their output. This measure supports local firms in their efforts to use their presence in the domestic market as a platform for expansion into the international domain.

(b) The Jamaica Export Free Zones Act has been amended to allow for private designated free zones outside of the existing free zone area.

(c) A first draft of legislation expanding the EIEA beyond manufacturing activity to include the service sector has been prepared. The legislation is expected to be tabled in Parliament by the end of the third quarter of 1997.

(d) Legislation is currently being drafted to amend the Motion Picture Encouragement Act. The objective is to extend beneficiary status to providers of motion picture facilities and to music providers (e.g. recording studios, CD manufacturers). Pending the passage of legislation, duty-free status is conferred on imports of items and equipment required by recording studios and CD manufacturers.

6.4 Additional initiatives include the proposed Amendment of the Factory Construction Act to decentralize factory building and encourage owner-built and occupied factories, and the preparation of draft orders to allow duty-free treatment of items used for R&D purposes and for projects promoting environmental concerns.

6.5 In the next phase of NIP implementation, efforts are to be made to undertake a ***systematic overhaul of the entire incentive regime, consistent with the general thrust of the Policy and evolving international rules.*** These efforts will be coordinated with the ongoing assessment of

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the existing structure of taxation, with a view to adapting the whole system to meet the requirements of the NIP for promoting saving, investment, productivity, and international competitiveness.

7. INFRASTRUCTURE INVESTMENT AND HUMAN RESOURCE DEVELOPMENT

7.1 A key component of the National Industrial Policy is the strong emphasis placed on these ***twin planks of the government's development thrust***. They are considered basic to the overall strategy of economic and social development and essential requirements for facilitating investment and growth.

7.2 The Government's programme in these areas has operated within the ***tight constraint*** of a fiscal budget with sizeable demands for debt service and recurrent expenses that, consequently, leaves limited resources available for capital expenditures. Strong efforts are being made to relieve this constraint through debt management and achieving cost-efficiencies in public sector operations. Furthermore, Government has sought to mobilise additional resources from the local private sector and external sources and to introduce cost recovery mechanisms wherever feasible and desirable.

7.3 The ***private sector*** itself can play an important role here too in directly meeting investment requirements and is being encouraged to pursue its own initiatives.

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7A. INFRASTRUCTURE INVESTMENT

7A.1 Major projects were undertaken or slated to begin during the year in targeted areas of physical infrastructure, including the following:

Water Supply, Irrigation, and Sewerage

* Water Supply Projects in the Lucea/Negril area and in Montego Bay;
* Sewerage System Improvement Projects in Montego Bay and Ocho Rios;
* Rural Water Supply Programme;
* Urban Water Supply Programme;
* Construction of Irrigation Infrastructure (canals, deep wells, Yallahs project, Colbeck project).

Transportation

* Expansion of public passenger bus fleet (including school bus system), provision of depots, training of transport workers;
* Activation of a comprehensive traffic plan (computerized traffic monitoring system with signals and sensors, one-way systems in major urban thoroughfares, widening of selected roadways).

Roads

* Northern Jamaica Development Project;
* Road rehabilitation improvement and maintenance programme (arterial, secondary, and tertiary roads, drainage and flood control, bridge development).

Seaports and Airport Facilities

* Completion of expansion phase of Gordon Cay facility;
* Airport Reform and Improvement Programme.

Communications

* Expansion of telecommunication stations and exchanges, introduction of new services, by TOJ.

Energy/Electricity

* Rural Electrification Programme;
* Privatisation of Petrojam;
* Continued operation of JPSCo Demand Side Management Project;
* Implementation of cogeneration programme;
* Development of alternative energy sources (hydropower, bagasse, solar, photovoltaics, wind);
* Development of Energy Plan based on Energy Sector Policy;
* Establishment of Office of Utilities Regulation.

Industrial Parks/Free Zones

* Montego Bay Free Zone expansion project;
* Montego Bay Free Zone/Freeport housing project;
* Portmore Informatics Centre;
* Tarentum Industrial Park.

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7B. HUMAN RESOURCE DEVELOPMENT

7B.1 The government's programme in human resource development continued to concentrate resources on improvement and expansion in the targeted areas of early childhood, primary and secondary education. The programme focused on ***the critical areas*** of curriculum development, distribution and rental of textbooks, in-service training for teachers, conditions of pay for teachers, construction, renovation, and maintenance of buildings and equipment.

7B.2 Four major capital-expenditure projects are underway, with funding from GOJ and multilateral/bilateral sources:

* Social Sector Development Project;
* Improvement and Expansion of Primary Education;
* Secondary School Textbook Project;
* Reform of Secondary Education.

7B.3 Mechanisms and measures for closer articulation between all tertiary institutions and the technical and vocational training system are being introduced so as to rationalise and improve the quality and efficiency of tertiary education with respect to both teaching and learning.

7B.4 The HEART Trust/NTA system continued to play a key role in the provision of training to equip adults for entry into the world of work and to keep abreast of changing technology. Measures were adopted to upgrade training programmes, to be more relevant to specific needs of industry, to provide graduates with appropriate skills, knowledge, and work attitudes, and to broaden the base of options for further training.

7C. SCIENCE AND TECHNOLOGY

7C.1 The Government's programme in Science and Technology (S&T) seeks to promote the systematic application of science and technical knowledge to meet the diverse and changing needs in different areas of the economy arising from the ongoing drive to increase production, productivity, value-added, quality and diversity of products. This entails a wide range of activities in research and development, design, testing, quality control, information dissemination, education and training.

7C.2 The various ***institutions and agencies engaged in such activities***, most of them in the public sector, are being encouraged, by the provision of resources and appropriate incentives, to focus their efforts in this direction, to develop closer collaboration among institutions and

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integration of activities and projects, and to pursue opportunities for commercial adoption through linkage with firms and investors.

7C.3 New initiatives are also beginning to emerge from ***the private sector***, for instance, the formation in 1996 of a new firm to provide "technological solutions" by offering laboratory and product development services.

7C.4 ***Projects*** being pursued by the different agencies cover a wide range. There is a concentration in the field of agricultural and agro-industrial research, focusing on four main areas: food technology, crop research and development, livestock research and development, and plant protection. This work is fully consistent with the goal of the NIP to increase production, improve productivity, and expand value-added in domestic food crops and in both traditional and non-traditional export products.

7C.5 Other areas covered include: marine biology and ecology, alternative sources of energy, waste management, environmental research, medical research, and information technology.

7C.6 ***Information technology*** is targeted as a sector for development and support by the NIP. The main points of focus this past year were: closer coordination and organization of activities within the sector, provision of incentives for production and use of IT, development and application of software for training and education, and increasing distribution and use of hardware throughout the educational system. The computer-services facility that serves the Port of Kingston is emerging as a leading center of innovative activity in the sector, providing spillovers to the rest of the economy through training and diffusion of technology and skills. Linkages with other sectors (tourism, finance, government administration) are also helping to drive development in the sector.

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8. STRENGTHENING THE INSTITUTIONAL FRAMEWORK

8.1 ***A complex structure of institutions underpins the working of the Jamaican economy as a market-economy***. These institutions make it possible for economic decision-making and action to occur smoothly, effectively, and efficiently and, thereby, facilitate the process of growth and development of the economy. The National Industrial Policy seeks to strengthen these institutions through appropriate legislative action, through the monitoring and supervisory role of state agencies, and through active consultation and joint action between Government and interested parties. This ***process of institutional reform*** is considered to be an essential feature of the process

of modernising the Jamaican economy and enhancing its capacity to respond to the global challenges it faces on the road ahead.

8.2 Some elements of the institutional structure that are crucial in this respect are: (a) the competitive rules governing market structure and behaviour of firms, (b) the capital-market institutions (banking, insurance, credit, and stock market), (c) the labour market, and (d) the administrative apparatus of the public sector. They have been the focus of continuing attention and action during the past year.

8.3 Specific matters addressed include:

* Review of the ***Fair Competition Act*** to allow the Fair Trading Commission to better carry out its mandate to provide for the maintenance and encouragement of competition in the conduct of trade, business, and the supply of services, including professional services.

* Preparation of new draft legislation to revise the existing ***Companies Act*** of 1965, now regarded as obsolete, so as to accommodate the company law to a rapidly changing business environment and achieve some measure of harmonisation with practices in the Caribbean Community.

* Establishment of the ***Office of Utilities Regulation***.

* Strengthening of the ***Jamaica Bureau of Standards*** in its measurement and quality assessment systems through provision of equipment, training of local engineers and scientists both in-house and in Germany, setting up of five new metrology laboratories and substantial upgrading of three others.

* Further deepening of the ***reform process in the financial sector***, in the context of the long-term trend of broader economic reform through liberalisation and deregulation begun in the 1980s, by instituting specific legislative and prudential reform measures, eliminating differences in regulation and supervision within the sector, amending the Building Society Act, steps to introduce a Deposit Insurance Scheme, formation of FINSAC to coordinate and manage the restructuring process in the sector.

* Adoption of the report of the ***Labour Market Reform Committee***, and steps taken to implement some of its recommendations for specific reform measures.

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* Acceleration of the ***public sector modernisation project*** to improve productivity, efficiency and management capability of public-sector institutions, through training of senior and middle managers, computerisation of operations and information systems, updating records, rationalisation of staff functions, and creation of executive agencies.

9. PRIORITIES FOR THE NEXT PHASE OF POLICY IMPLEMENTATION

9.1 The next phase of policy implementation will focus on the two essential and combined tasks of (a) ***consolidating the gains made to date***, and (b) building on those gains to ***achieve the central objective in this new phase: growth with stability***.

9.2 The ***key elements of the implementation strategy*** during this next phase, as specified in the National Industrial Policy, are the following:

* ***Strengthen and reinforce measures to provide the appropriate environment of stability and predictability to facilitate long-term investment.***

* ***Design measures to shift the balance of investment decisions from short-term financial instruments to long-term investment in the productive sectors.***

* ***Pursue an aggressive export-expansion programme based on proven strengths in dynamic sectors of the economy that are ripe for expansion.***

* ***Orient government budgetary allocations to investment in human resources and infrastructure, the incentive system, and a broad-based support framework, so as to remedy bottlenecks and constraints facing producers in the targeted sectors.***

9.3 Having created ***the conditions for macroeconomic stability***, the aim is to preserve those conditions by rigorous pursuit of the appropriate monetary and fiscal policies, using the full range of instruments and tools available and successfully deployed this past year. At the same time, it will be necessary to ***move the policy-mix towards greater emphasis on measures to promote investment in the productive sectors and growth of exports***.

9.4 Measures to reduce cash-reserve requirements accompanied by the continued downward trend in interest rates and the shift in government debt-instruments towards the long end will create ***the required financial conditions to stimulate long-term investment***. In addition, the

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public-sector financial institutions are being geared up to act as catalyst in the investment process through increasing the supply of development-oriented long-term credit and improving access for credit-worthy projects. The restructuring process taking place within the financial sector will serve to strengthen confidence in the financial system and maintain the incentive for saving and investment.

9.5 The ***export-expansion programme*** will focus on the targeted growth-poles in the five strategic clusters identified by the National Industrial Policy. Government support-measures generally available to all sectors will be concentrated on providing support to viable projects that are capable of yielding early and significant gains in export earnings, in both traditional and non-traditional areas of exports. The Industry Advisory Councils that are now being organised will be mobilised to help coordinate and drive this effort.

9.6 Continued efforts will be made to strengthen and deepen the requirements for an export push in pursuit of ***the declared long-term strategy of export-led development***. In this respect, the chief matters of major concern to be dealt with are:

(a) ***review of trade policy and strategic repositioning of Jamaica's international relations*** (CARICOM, NAFTA, ACS, FTAA, EU/Lome) to accommodate to current global trends in trade, investment, and foreign assistance;

(b) ***review and restructuring of the complex and unwieldy system of incentives*** that currently exists so as to provide a more uniform, transparent, and performance-oriented system that is consistent with international rules and regulations under the WTO agreements and with preserving Jamaica's competitive position in relation to other countries;

(c) a ***drive for increased productivity and product innovation***, focused on sector-specific and firm-level requirements identified in the NIP, so as to improve the capability of firms to deliver quality products at a competitive price in both domestic and export markets.

9.7 Maintaining ***the infrastructural investment programme*** in physical and social infrastructure will be of fundamental importance to all of these efforts. ***The highest priority will be given to education and training of the labour force, concentrating on early education as the base of the process***, in a push to prepare our adults and the new generation to cope with rapid changes taking place in the economy and society.

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APPENDIX A

ANALYSIS OF INVESTMENT PROJECTS IN THE PIPELINE

A1. From the standpoint of the National Industrial Policy, investment is one of the key strategic variables in analysis of the economy and in assessing economic performance.

A2. The accompanying tables provide a quantitative profile of investment projects in the pipeline that pass through the public-sector financial institutions (NDB, NIBJ) and JAMPRO, as of the indicated date.

A3. Note: (a) Because some projects are not exclusively handled by any single one of these agencies, there is some overlap in the data across the different agencies. (b) Because this information is limited to public-sector agencies, it provides an incomplete picture of the investment activity and potential in the economy as a whole.

A4. Analysis of the profile of investment projects reveals the following pattern:

(a) There is an overall concentration of projects in the tourism sector. This sector predominates in terms of the number of projects for expansion and new development (as distinct from debt restructuring), the scale of funding committed, and the projected gains in employment and foreign exchange earnings. Within the sector, the large hotels receive the largest share of funding.

(b) The manufacturing sector is second in both commitments and applications-in-process at NDB. It also leads in projects for debt restructuring at NIBJ (44% of total funding sought).

(c) The mining sector ranks high in terms of funds committed at NDB, and in terms of number of project start-ups and size of potential investment at JAMPRO.

(d) Agro-industry projects have a sizeable share of total commitments. Agriculture is under-represented in these agencies (relative to ACB), but ranks high in projects for restructuring at NIBJ.

(e) The services sector is well represented, with entertainment and information processing and film emerging as significant new areas for funding.

(f) Disbursement of funds relative to commitment/approval is running at a rate of 42% at NDB and much lower, 19%, and NIBJ.

(g) Applications in process relative to existing commitments (measured by total of local and foreign funds) is 81% at NDB and 140% at NIBJ.

(h) Bottleneck factors center on: financing, land acquisition, and government approval.

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Table 1
National Development Bank of Jamaica, Ltd.:
Summary of Commitment and Disbursement Activities, January - December, 1996

Sector	No.of Pro-jects	Committed		Disbursed		Pro-jected Employ-ment	Estimated Foreign Exchange Earnings US$	Est. no. of rooms added
		J$m	US$m	J$m	US$			
Agro-Industry	26	54.968	.492	16.189	4.319*	134	152,497	
Garments	10	12.985	1.073	12.022	.126	249	138,364	
Manufacturing	38	190.720	1.800	53.613	2.206*	280	116,171	
Mining	8	114.617	0	57.991	0	49	0	
Services	26	87.740	1.068	55.400	.771	193	0	
Tourism	28	25.753	22.780	11.289	22.894	892	8,780,034	804
TOTAL	136	486.783	27.213	206.506	30.316	1,797	9,187,066	804

Note: * inclusive of commitments made in 1995.
Source: Projects Department, NDB.

Table 2
National Development Bank of Jamaica, Ltd.:
Summary of Applications in Process at February 7, 1997

Sector	No. of Pro-jects	Local Funds Requested J$m	Foreign Exchange Funds Requested US$m
Agro-Industry	2	14.000	0
Manufacturing	19	26.690	11.020
Services	7	65.000	2.800
Tourism	9	3.200	16.450
TOTAL	**37**	**111.890**	**30.270**

Note: Projects submitted for Board approval/ratification, excluding amounts at project inquiry stage.
Source: Projects Department, NDB.

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Table 3
National Investment Bank of Jamaica
Summary of Commitment and Disbursement Activities, January 1996 - January 1997

Sector	No of Projects	Approved J$m	% of Total Appr.	Disbursed J$m	Comments
Agriculture	4	20.240	1.1	14.000	
Agro-Industry	5	69.645	3.8	17.700	J$22m for refinancing
Manufacturing	5	48.770	2.7	25.770	J$8m for refinancing
Apparel	*2*	*13.000*	*0.7*	*0*	
Mining	4	73.800	4.1	35.122	
Entertainment	1	13.000	0.7	7.467	
Info-Technology	1	7.139	0.4	7.139	
Tourism	20	1,577.443	87.2	231.171	Small Hotels funds all for refinancing Large Hotel funds incl. J$25m for investment; projects estimated to add 2150 rooms/suites to capacity; Other incl. J$56m for refinancing
Small Hotels	*7*	*55.700*	*3.1*	*26.428*	
Large Hotels	*10*	*1,445.743*	*79.9*	*200.743*	
Other	*3*	*76.000*	*4.2*	*4.000*	
TOTAL	40	1,810.037	100.0	338.369	

Source: National Investment Bank of Jamaica

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Table 4
National Investment Bank of Jamaica
Use of Funding Sources as at February 11, 1997

Sector	Approved J$m	Disbursed J$m	Applied for J$m
J$1.0B Bond Issue			
Agriculture	8.240	2.000	128.482
Agro-Industry	69.645	17.700	57.237
Manufacturing	28.770	15.770	198.533
Mining	33.600	4.922	11.700
Entertainment	13.000	7.467	40.000
Tourism	256.700	30.428	190.600
TOTAL	409.955	78.287	626.554
US$50M Bond Issue (J$1.75B)			
Tourism	1,225.000	105.000	2,387.847
Capital Development Fund (CDF)			
Agriculture	12.000	12.000	--
Manufacturing	20.000	10.000	--
Mining	40.200	30.200	--
Tourism	95.743	95.743	--
TOTAL	167.943	147.943	--
National Investment Bank of Jamaica Funds			
Info-Technology	7.139	7.139	--
GRAND TOTAL	1,810.037	338.369	3,014.401

Notes: Assumed exchange rate: J$35 per US$1
Source: National Investment Bank of Jamaica

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Table 5
National Investment Bank of Jamaica
Summary of Applications in Process at February 11, 1997

Projects for Debt Restructuring

Sector	No. of Projects	NIBJ Funding Sought, J$m
Agriculture	8	114.760
Agro-Industry	5	57.237
Manufacturing	12	182.805
Mining	1	11.700
Tourism	8	48.920
Small Hotels	*7*	*45.320*
Other	*1*	*3.600*
TOTAL	34	415.423

Note: Excludes a total of 4 projects for which letters of intent have been received but no specific funding request has been made
Source: National Investment Bank of Jamaica

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Table 6
National Investment Bank of Jamaica
Summary of Applications in Process at February 11, 1997

Expansion & New Developments

Sector	No. of Projects	NIBJ Funding Sought, J$m*
Agriculture	2	13.720
Manufacturing	3	15.729
Apparel	*1*	*8.750*
Entertainment	1	40.002
Tourism	13	2,529.527
*Hotels***	*9*	*2,387.847*
Other	*4*	*141.680*
TOTAL	19	2,598.978

Notes * Assumed exchange rate: J$35 per US$1
** Estimated to add 1540+ rooms/suites
Source: National Investment Bank of Jamaica

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Table 7
Summary of Investment Projects Initiated and Assisted by JAMPRO,
as at January 31, 1997
(start-up initiated, incl. pilot stage where applicable)

Sector	No. of Proj-ects	Potential Capital Investment J$m	Potential Employ-ment
Agriculture	6	439.2	161
Information Processing	0	0	0
Tourism	10	6,871.8	1,345
Mining & Chemical	10	4,812.0	445
Textiles & Sewn Products	4	22.9	252
General Manufacturing	3	21.2	125
Entrepreneurial Centre	2	0.4	10
TOTAL	**38**	**12,167.5**	**2,338**

Source: JAMPRO

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Table 8
Summary of Projects by Bottleneck
JAMPRO-listed Projects, as at January 31, 1997
(J$ millions)

Bottlenecks	Sectors								Total
	Agriculture	Film	Information Processing	Manufacture	Mining & Chemicals	Small Business	Textiles	Tourism	
AGA	10.000		4043.560		49.750			1512.555	5,615.865
F/JV	400.000	122.500		385.000	42.900	0.689	76.400	7587.834	8,615.323
F/JV/AGA								4564.300	4,564.300
INC					500.000				500.000
JV/AGA								1200.000	1,200.000
LA	20.000		19.600		76.000		60.980	259.179	435.759
LA/INC					1400.000				1,400.000
LA/INC/ AGA					2400.000				2,400.000
NONE	29.220	4964.550	9.000	189.808	343.340	19.841	122.100	21.120	5,698.979
TOTAL	**459.220**	**5087.050**	**4072.160**	**574.808**	**4811.990**	**20.530**	**259.480**	**15144.988**	**30,430.226**

Key: LA = land acquisition, AGA = Awaiting Government Approval, INC = Incentives, F/JV = Financing, Joint Venture, NONE = none at this time.
Source: JAMPRO.

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APPENDIX B

SECTORAL TARGETS, PROPOSED INITIATIVES, AND ACHIEVEMENTS

B1. The accompanying tables give detailed information on targets, initiatives, and achievements at the sector/product level to date.

B2. This information provides a useful, initial profile of the steps that are currently being taken or proposed to implement the National Industrial Policy in the various sectors. The information is preliminary in both its coverage of sectors and product lines as well as in its information content on actual initiatives and achievements. Missing information will be added as it becomes available.

B3. For the purpose of this review, the targets and initiatives have been grouped according to the following seven (7) objectives:

- **market penetration** -- through export expansion or import substitution;
- **diversification** -- extending the range/variety/value-added of products offered;
- **product design/quality** -- improvements in existing products;
- **productivity** -- gains in production efficiency through use of appropriate/state-of-the-art technology, skilled/trained workers, efficient management & organization, efficient distribution;
- **organization** -- strategic alliances, networks, co-operative arrangements to take advantage of economies of scale, build critical mass, pool risk, share information, etc.;
- **investment** -- in new capacity or in replacing/upgrading existing production facilities;
- **intersectoral linkages** -- spillovers across product lines and sectors, creation of dynamic synergies that serve to reinforce growth within each sector.

B4. These objectives serve to operationalise in specific terms the broad goals of the NIP. They also provide a useful framework that implementing agencies are encouraged to apply in structuring and focusing their initiatives.

B5. There is necessarily some overlap in that a certain initiative may serve multiple objectives, for instance product diversification as well as market penetration, product quality as well as productivity.

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B6. The following broad pattern emerges from the profile of targets and initiatives:

(a) In the majority of cases, proposed initiatives are directed primarily at the objectives of **market penetration** and **export diversification**.

(b) The **organization** objective is addressed primarily through efforts to establish/strengthen the **strategic alliance** between JAMPRO and other agencies servicing the respective sectors and through JAMPRO functioning as an information clearinghouse.

(c) Relatively little attention is paid to: **product design/quality**, **productivity,** and **intersectoral linkages**. Notable exceptions are the Textiles & Sewn Products, Tourism and Music & Entertainment sectors, where strong efforts are being made to develop a sharper focus on product design and quality issues and on the exploitation of synergies between the three sectors. Deepening of linkages is occurring also between tourism and agriculture.

(d) In terms of the specific nature of the initiatives proposed, promotional activities (participation in trade shows, advertising campaigns, newsletters, presentations, seminars, etc.) tend to predominate.

B7. The particular pattern of proposed initiatives that appears here may be a reflection of the nature of the available data set. However, implementing agencies are being encouraged to ensure that their efforts are integrated and complemented with initiatives in support of the entire spectrum of activities ranging from product innovation and design to efficiency in production, distribution and marketing. More specifically, once marketing efforts have opened up potential markets and established contacts, Jamaican firms must be in a position to deliver an innovative, top-quality product in sufficient quantity, on time, and at a competitive price.

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SECTORS/PRODUCTS REVIEWED

(listed by Clusters as identified within the National Industrial Policy)

Cluster # 1

- Tourism
- Music & Entertainment

Cluster # 2

- Information Technology
  - Information Processing
  - Telemarketing Services
- Financial Services

Cluster # 3

- Agriculture & Agro-Processing
  - Agriculture — General
  - Fresh Produce: Tropical Ethnic Crops
    Tropical Exotic Fruits
    Organic Foods
  - Agro-Processing
  - Aquaculture: Tilapia
    Ornamental Fish
  - Horticulture

Cluster # 4

- Textiles & Sewn Products

Cluster # 5

- Minerals, Chemicals & Alternative Energy

Small Business Sector

Data sources: JAMPRO, *Marketing Plans 1996/97*; Tourism Unit, Office of the Prime Minister; Ministry of Agriculture & Mining, *Corporate Plan 1997/98*; Micro Investment Development Agency.

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TOURISM

Important efforts are currently underway to consolidate initiatives aimed at improving the tourism product and to rationalize and reorganize public sector entities involved with the tourism sector. Those efforts include:

- drafting legislation concerning the functions and operations of the Jamaica Tourist Board (JTB) and the Tourism Product Development Company Ltd (TPDCo);
- reorganization of the Tourism Division, OPM;
- development of a Master Plan for Tourism Development;
- establishment of the Prime Minister's Tourism Council.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Initiatives:*	* direct charter service (JAMVAC) from Western Canada since winter 96 and from Fort Lauderdale (since 95/96)
	Achievements:	* significant increase in arrivals from Western Canada * JAMVAC instrumental in developing Fort L. gateway
Diversification	*Products:*	* nature, culture & heritage tourism * spas & retirement care facilities * family resorts * mid-market & small hotels
	Markets:	* Europe * Japan * Latin America
	Initiatives:	* lobby for incentives for eco-friendly & heritage-based projects * promotional activities * seminars/workshops * revitalization of Inns of Jamaica Programme
	Achievements:	* Port Royal Project: Agreement of Understanding signed * Falmouth: exploratory meetings held * stop-over arrivals from Europe up 5.5% * two new all-inclusive family resorts
Product Design/ Quality	*Target:*	* reduce harassment & crime directed at tourists * improve quality & competitiveness of tourism product * erase foreign investors' (espec. Europeans') negative perception of Jamaica as unsafe, high-risk investment location

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TOURISM (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Product Design/ Quality	*Initiatives:*	* Sustaining the Environment & Tourism (SET) Programme extended to Montego Bay in 96; to be extended to Negril & Portland in 97/98 * seminars/workshops on International Quality Standards * promotional activities
	Achievements:	* reported harassment/crime incidents down 17% since 1995 (down over 50% since 1993)
Productivity	*Initiatives:*	* seminars/workshops on physical plant management, information technology
Organization	*Initiatives:*	* launching of Prime Minister's Tourism Council * strategic alliance with overseas offices, Embassies, etc; with local agencies, eg JHTA, UDC, TPDCO, JTB etc; with Caribbean & World Tourism Organizations etc
Investment	*Target:*	* min. of 4 new accommodations projects with min. value of J$1B creating min. of 400 job opportunities * 4 new joint venture partnerships (accommodations) at J$8B under Target Europe Programme * two attractions projects at US$506M and job potential of 91
	Initiatives:	* Port Royal & Falmouth projects * promotional activities for Jamaica: multimedia software, newsletter, seminars & workshops * promotional activities for US, Europe & Japan: business lunches, calls to investment banks, multimedia software, investment fora, consumer trade shows, advertising in relevant publications
	Achievements:	* 7 new accommodations projects implemented in 95/96; total value of J$1.75B; 509 job opportunities * 4 new attractions projects implemented; capital investment of J$625.2M; 144 jobs
Intersectoral Linkages	*Initiatives:*	* "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings, gourmet foods)

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MUSIC & ENTERTAINMENT

The marketing thrust focuses on four broad segments in the Music & Entertainment sector:

- recorded music (Reggae, Dancehall, Fusion, Rock Steady, Ska, Mento, Binghi)
- live performances
- recording facilities
- themed entertainment districts/seasons.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration/	*Target:*	* increase visibility in international markets * penetrate traditional & non-traditional markets, in particular: US, Japan, Brazil, UK, Jamaica
	Initiatives:	* MIDEM '97 as springboard for marketing campaign * concept/trademark "Jamaican Sound" * aggressive national & international marketing programme * public education campaign * market research * develop Jamaican-based international distribution network * compile worldwide database of distributors, licensing agents, media contacts
Diversification	*Products:*	* foreign language recordings * re-mixes, strategic covers of popular songs
	Markets:	* Africa * France
	Initiatives:	* promotional activities, including: targeting public radio stations, "Diplomatic Goodwill Tour", Jamaican exporters to sponsor overseas engagements
Product Design/ Quality	*Target:*	* creative packaging & presentation (red/green/gold motif for cultural/national identification; inclusion of historically & culturally relevant information) * state-of-the art studio facilities
Productivity	*Target:*	* improved distribution * technology transfer; state-of-the-art studio facilities
	Initiatives:	* amend Motion Picture Industry Encouragement Act to encourage/facilitate technology transfer

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MUSIC & ENTERTAINMENT (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Organization	*Initiatives:*	* strategic alliances with media; African-American entertainers/lawyers/ financiers; Nat'l Academy of Recording Arts & Science * networking of local international record companies * The Entertainment Bureau (special vehicle company convened by JAMPRO to represent/negotiate on behalf of product owners unable to attend MIDEM; need for such representation on permanent basis)
Investment	*Target:*	* facilitate pipeline projects totaling US$10M
Intersectoral Linkages	*Target:*	* designer fashion, reggae fashion * Jamaica as cultural Mecca (Reggae-Rasta link) * tourism * themed eateries, attractions, shopping areas
	Initiatives:	* Jamaican exporters to sponsor overseas engagements * *intra*sectoral linkages between music and film/TV soundtracks to be pursued aggressively * "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings gourmet foods) * Jamaica Jamboree, New York (10/96), promoting design-led products

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INFORMATION TECHNOLOGY -- INFORMATION PROCESSING (Data Entry)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* none quantified
	Initiatives:	* promotional activities: participation in trade shows, advertisement in trade publications * exposition in conjunction with JDI, TOJ
Diversification	*Product:*	* multi-lingual, multi-media package * personal banking applications * high-end data entry services (GIS, CAD/CAM, Imaging)
	Market:	* large consumers of software support such as healthcare, financial, environmental, publishers, car rental agencies * Europe
	Initiatives:	* work with JAMPRO Target Europe Secretariat * promotional activities
Product Design/ Quality	*Initiatives:*	* liaise with UWI, UTECH, HEART, EXED to establish training programme in software skills
Productivity	*Initiatives:*	* client-servicing to ensure that companies are utilizing current systems and/or technology * establish high-tech office park with free zone status
Organization	*Initiatives:*	* formation of active trade & professional association * facilitate strategic alliances to more effectively exploit opportunities through co-operative marketing & generation of "critical mass" * sector to foster closer collaboration with J. Computer Society
Investment	*Target:*	* no specific target quantified
	Initiatives:	* promotional activities; co-operative marketing with overseas Trade Commissions; seminars * lobby for high-tech office park, investment incentives * seminars to sensitize financial sector to IT sector's viability, opportunities, investment needs
	Achievements:	* total Jampro-assisted IT projects (incl. Telemarketing, data entry, software development): J$150M; 415 jobs
Intersectoral Linkages	*Target:*	* facilitate co-operative marketing with complementary sectors, eg. tourism

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INFORMATION TECHNOLOGY -- TELEMARKETING SERVICES

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* 50% growth in Call Centre activity (# of centres, employment, value of business)
	Initiatives:	* promotional activities: participation in trade shows, advertising campaigns in key publications * lobby TOJ/JDI to rationalize their rates * exposition in conjunction with JDI, TOJ
Diversification	*Product:*	* database marketing * multi-lingual services
	Market:	* companies with high percentage of consumer inbound calls (audiotext, directory assistance, reservations, Jamaica Today, physician referrals etc) * companies with high percentage of business outbound calls (mail order, answering services) * Europe
	Initiatives:	* promotional activities * collaboration with Target Europe
Product Design/ Quality	*Initiatives:*	* liaise with UWI, UTECH, HEART re manpower development
Productivity	*Initiatives:*	none specified
Organization	*Initiatives:*	* formation of an active trade & professional association * facilitate strategic alliances to more effectively exploit opportunities through co-operative marketing
Investment	*Target:*	* no specific target quantified
	Initiatives:	* promotional activities * lobby for investment incentives
	Achievements:	* total Jampro-assisted IT projects (incl. Telemarketing, data entry, software development): J$150M; 415 jobs
Intersectoral Linkages	*Target:*	* facilitate co-operative marketing with complementary sectors, eg. tourism

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FINANCIAL SERVICES

The current range of financial services offered in Jamaica includes commercial banking, investment banking, insurance and unit trusts. Plans to broaden the country's range of capabilities in this sector focus on the development of off-shore financial centres which allow international corporations to minimize their tax liabilities by locating in low-tax territories. To date, some 440 Foreign Sales Corporations (FSCs) have been registered in Jamaica. Expanding Jamaica's service export offerings in this area would provide immediate options for utilization of the excess capacity among existing banks, insurance companies, and the cadre of well-trained professionals that has resulted from the current contraction in the financial sector.

Existing legislation already provides some of the incentives required to develop Jamaica's position in this market, but a more targeted approach is necessary to further strengthen competitiveness. Minor amendments to existing legislation such as the Companies Act, the New Companies Bill 1996, the Foreign Sales Corporation Act 1984, the Income Tax Act, and the Stamp Duty Act could make a significant contribution in this regard.

Efforts are currently underway to heighten awareness of opportunities among local service providers and to increase Jamaica's visibility in the FSC market.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Diversification/ Investment	*Target*:	* broaden financial services offerings, in particular promote Jamaica as an attractive offshore financial centre
	Initiatives:	* measures to increase visibility in FSC market, eg. private-public sector delegation, headed by ministerial representatives, attended FSC/DISC Tax Association Conference, Orlando, 11/96 * market study of FSC potential commissioned
Intersectoral Linkages	*Initiatives:*	* strong linkage potential identified with tourism, information technology

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AGRICULTURE — GENERAL

Primary policy measures in support of continued growth and development of the sector to focus on:

- increased agricultural production, exports, and productivity;
- institutional support;
- increased watershed protection & afforestation;
- export pre-clearance.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target*:	* increase production & export of traditional & non-traditional crops * banana: meet EU quota; 105,000 tons over next 2 years * increase foodcrop production for domestic use by 10%
	Initiatives:	* projects to improve watershed management (see Environment) * Agricultural Export Services Project * preparation of Agricultural Support Services Project to strengthen research, extension, planning & marketing; financial assistance of micro-proposals * one-stop export pre-clearance facility at Norman Manley Airport (to be completed by Fall '97) * improve plant quarantine & food inspectorate; implementation of Integrated Pest Management Programme * recruitment of International Trade Specialist to focus on issues related to international trade agreements * special laws and special arm of Police to address praedial larceny * MAM National Country Paper on Food Security; recommendations to be implemented in FY 97/98 * farmers' workshops in conjunction with RADA * studies on market opportunities for non-traditional crops * see also: Productivity initiatives
	Achievements:	* residue testing facility to meet EU standards established in MAM Veterinary Division
Diversification	*Products*:	* dasheen, culinary herbs, exotic fruits & vegetables
	Initiatives:	* projects under aegis of USAID co-funded Agricultural Export Services Project
Product Design/ Quality	*Initiatives*:	* support services for disease/pest control * see also: Productivity initiatives

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AGRICULTURE — GENERAL (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Productivity	*Initiatives*:	* strengthening of support services * strengthening of agricultural research support for technology development & dissemination (project proposal to be submitted for World Bank funding) * restructuring of National Agricultural Research System; to include co-operative system between Government & Private Sector * funding for Bodles Agricultural Research Station approved * water storage tanks project (funding not yet identified)
Organization	*Initiatives*:	* MAM to establish data bank; analyze & distribute information * MAM to liaise with other agricultural institutions * MAM to provide small farmers with agricultural inputs necessary for increased production
Investment	*Achievements*:	* selected investment projects: Sea Island Cotton: J$10.5M; 5 jobs Livestock (2): J$2.3M; 6 jobs Medicinal herbs (2): J$12.4M; 12 jobs
Intersectoral Linkages	*Achievements*:	* 3 projects fostering value-added linkages between farming & agro-processing implemented (Twickenham Bammies, Lucea Dasheen, Reaches Dasheen)
Environment	*Target*:	* reduce environmental degradation * improve watershed management
	Initiatives:	* Hillside Agricultural Project * Yallahs/Morant Integrated Development Project * purchase/distribution of fruit trees to small farmers to reduce soil erosion, improve eco-system * passing of Forestry Act (10/96)

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FRESH PRODUCE -- TROPICAL ETHNIC CROPS
(yam, sweet potato, dasheen, pumpkin, hot pepper)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* increase export volume & market share in US, UK & Canada
	Initiatives:	none
Diversification	*Markets:*	* general population (as opposed to ethnic/immigrants) * mainstream small chain stores
	Initiatives:	none
Product Design/ Quality	*Initiatives:*	none specified
Productivity	*Initiatives:*	* collection & dissemination of technical information (IICA, RADA)
Organization	*Initiatives:*	* formation of Fresh Produce Association; core group activities ongoing; official formation expected 1997 * strategic alliance between Jampro & other agencies servicing the sector (JEA, IICA, RADA etc); ongoing
Investment	*Initiatives:*	* farmers' fora, promotional activities
	Achievements:	* winter squash for export to US: J$7M; 17 jobs
Intersectoral Linkages	*Initiatives:*	none specified

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FRESH PRODUCE -- TROPICAL EXOTIC FRUITS
(mango & papaya)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* increase export volume & market share in US, UK & Canada
	Initiatives:	* promotional activities: trade show participation in association with J. Papaya Growers Assoc'n (JPGA)
Diversification	*Markets:*	* general population (as opposed to ethnic/immigrants) * specialty stores, mainstream super- and hyper-markets * Europe
	Initiatives:	* promotional activities, point of sale information (recipe cards, taste testing); updated for Canadian market via CANEXPORT * Target Europe Programme
Product Quality/ Design	*Initiatives:*	* development of Grade & Quality Standards for papaya
Productivity	*Initiatives:*	* collection & dissemination of technical information (IICA, RADA) * training course conducted in Post Harvest Technology for Papaya * production manual prepared for publication in collaboration with JPGA
Organization	*Initiatives:*	* formation/strengthening of Mango Growers Association, JPGA, Fresh Produce Association * strategic alliance between Jampro & JEA, IICA, RADA etc
Investment	*Target:*	* investment in growing of papaya, espec. in view of overseas demand exceeding supply
	Initiatives:	* farmers' fora, publications
Intersectoral Linkages	*Initiatives:*	none specified

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FRESH PRODUCE -- ORGANIC FOODS

Organic farming in Jamaica is in its infancy with a few small farmers producing largely for the local market. The exception is one sugarcane project which grows and processes sugarcane into sugar, syrup and molasses for export. Export demand for all three products exceeds supply. In general, the market for organic produce has experienced significant growth, and demand far exceeds supply. Over the years, JAMPRO has received several inquiries from overseas (US, Canada, UK, Europe) for organic products, in particular tropical fruits, vegetables, honey, herbs & spices, cotton, hemp as well as processed foods.

The focus of JAMPRO's promotional plans for the industry is to create awareness of investment and export opportunities in organic foods.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Diversification/ Investment	*Target:*	* increase awareness of investment opportunities in organic foods, in particular for export * pilot project of min. 10 acres of organic bananas or other crops * min. 1 additional export project
	Initiatives:	* market research ongoing
	Achievements:	* 5 acres (ginger, turmeric) in 1996; 5 acres in ground for 1997; Capital investment: J$3.5M; 21 jobs
Organization	*Initiatives:*	* strengthen alliance with JOGA (Jamaica Organic Growers' Assoc'n, RADA, JEA, SRC, Bureau of Standards, international entities (International Federation of Organic Agricultural Movements, Organic Crop Improvement Assoc'n) * request for Japanese funding assistance for sector development

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AGRO-PROCESSING

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* increase foreign exchange earnings by 25% * increase presence in mainstream markets
	Initiatives:	* promotional activities: participation in trade shows (5), in-store promotions (3), `advertisement in relevant publications * workshop: "Selling in the Marketplace"
Diversification	*Products:*	* private label production to increase capacity utilization * dairy: yogurt, flavoured cheeses
Product Design/ Quality	*Initiatives:*	* general quality standards seminars (4) * HACCP workshops (4) * Better process control school (1)
Productivity	*Initiatives:*	* see Product Quality/Design
Organization	*Initiatives:*	* strategic alliance: Agro-Processors Resource Network launched (APRN; comprised of JAMPRO, SRC, UWI, Bureau of Standards, Ministry of Health, RADA, NDB)
Investment	*Target:*	* 4 new investment projects with US$ 10M total capital investment
	Initiatives:	* project development support for potential investors * investment seminar in Toronto
	Achievements:	* carbonated beverages: J$105M; 45 jobs * cigar manufacturing (3): J$143.5M; 305 jobs
Intersectoral Linkages	*Target:*	* availability of suitable, competitively priced packaging * more efficient farmer/processor linkages
	Initiative:	* feasibility study on flexible bottling plant more suitable to smaller size packaging
	Achievements:	* PET bottling plant installed

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AQUACULTURE -- TILAPIA

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* increase volume of export to major markets in North America & Europe by 550 tons (120%) * increase market share in these markets
	Initiatives:	* market research (via Target Europe) * promotional activities: trade shows, point-of-sale promotion (eg recipe cards) (via Target Europe)
	Achievements:	* export target negatively affected by diseases outbreak in US
Diversification	*Markets:*	* Germany, Spain, France identified as major growth markets
Product Design/ Quality	*Initiatives:*	* quality control programme (via Jampro Productivity Unit & Target Europe)
Productivity	*Initiatives*:	* collection & dissemination of technical information via Jamaica Aquaculture Association
Organization	*Initiatives:*	* strategic alliance between Jampro & UWI (Marine Science/ Biology), Jamaica Aquaculture Association, Fisheries Division
Investment	*Target:*	* increase capital investment by J$39M
	Initiatives:	* promotional activities
	Achievements:	* capital investment: J$28.8M; 21 jobs (job potential: 38)
Intersectoral Linkages	*Initiatives:*	none specified

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AQUACULTURE -- ORNAMENTAL FISH

Tropical Ornamental Fish farming is an emerging industry in Jamaica. With currently merely six commercial producers engaging in exports, mainly to the US market, and reports of unsatisfied demand in the US, the industry is poised for further development.

The focus of JAMPRO's promotional plans for the industry is to create awareness of investment and export opportunities in ornamental fish farming.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Diversification/ Investment	*Target:*	* increase awareness of investment opportunities in commercial ornamental fish farming, in particular for export * promote Jamaica as supplier of wide range of tropical ornamental fish throughout the year * project implementation: 6 projects, J$50M capital investment, job potential: 80
	Initiatives:	* market research, feasibility study regarding industry expansion * participation in one local trade show (11/96)
	Achievements:	* capital investment: J$10M; 5 jobs (job potential: 15)
Organization	*Initiatives:*	* strengthen alliance with Ornamental Fish Growers Association, Ministry of Agriculture, Ja. Agricultural Development Foundation; ongoing close cooperation with Jampro

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ORNAMENTAL HORTICULTURE

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* increase export volume by 57% * regain market share in US market * increase presence in Canadian market, espec. Vancouver
	Initiatives:	none
Diversification	*Products:*	* expand product range to include min. 2 new crops * increase exports of bouquets
	Markets:	* Europe
	Initiatives:	* continued support of evaluation trial for new crops (calla lily & sandersonia) * alliance with COLEACP, Target Europe Programme
Product Design/ Quality	*Initiatives:*	* none specified
Productivity	*Initiatives:*	* support funding for feasibility study & recommendations for Integrated Pest Management programme; study to be redefined * ongoing support evaluation of packaging for anthuriums through trial shipments * 1 company participated in training course funded by Dutch CBI and COLEACP
Organization	*Initiatives:*	* strategic alliance between Jampro & local & overseas agencies & sector representatives (RADA, Dutch CBI, COLEACP, Caribbean Export Dev. Agency) * formation of Ornamental Horticulture Association; core group active; formalization pending * Anthurium Growers Association
Investment	*Target:*	* implement min. 4 new projects, J$24M, 40 permanent jobs
	Initiatives:	* investment seminar; small farmers to be targeted * promotional activities, including radio & TV programmes
	Achievements:	* capital investment: J$3.5M; 23 jobs
Intersectoral Linkages	*Initiatives:*	* none specified

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TEXTILES & SEWN PRODUCTS

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target*:	* increase total value of exports to all markets by 15% * increase presence in new & established markets * expansion of local market
	Initiatives:	* market research & comparative study on competitors * PR campaign to improve industry image, espec. among workers * seminar on pricing strategy * promotional activities: participation in trade shows, targeted outward missions, advertisement * import restrictions
	Achievemts:	* as at 2/97: 2 contracts awarded, valued at J$2M, as result of trade show participation * as at 2/97: JAMPRO records implementation of 12 contracts valued at J$212.1 million, facilitating retention of 865 jobs
Diversification	*Products*:	* new products to be targeted by 807/CMT sector (sleepwear, children's wear, dresses, woven shirts, blouses, skirts, trousers) * full package/designers products (ladies' separates/coordinates, lingerie, swimwear, gymwear, trousers) * "private label" and novelty/souvenir items (in conjunction with entertainment industry, using Rasta/Reggae image)
	Markets:	* Europe: UK, Germany, Greece, Spain * Latin America: Colombia, Venezuela, Mexico & CARICOM; Japan * local market
	Initiatives:	* primarily promotional activities * product development & planning (see below)
Product Design/ Quality	*Target:*	* improve product development & planning
	Initiatives:	* facilitate access to raw material inputs through development of backward linkages (develop data base on input suppliers; investment in trims, accessories, textile, finishing industries) * special training programmes in preparation * improve quality of packaging material & labelling * R&D to update/upgrade products

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TEXTILES & SEWN PRODUCTS (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Productivity	*Initiatives*:	* training programme re: physical distribution function * security audits * subscription to trade magazines to gain information on new & improved manufacturing systems and technology * special training programmes (in preparation, to be presented to the sector) * programme of energy audits in preparation by JAMPRO & JPSCo
Organization	*Initiatives*:	* re-establish Designer Association * JAMPRO to serve as information clearinghouse * introduction of Client Services Management Programme to plan and implement sector strategies, foster cooperation between JAMPRO & sector * formation of Industry Advisory Council
Investment	*Target:*	* implement min. 10 new projects * increase value of investments by 25% to J$200M
	Initiatives:	* establishment of overseas investment offices * promotional activities, sales visits
	Achievements:	* 4/96 - 3/97: 8 projects implemented at J$210M, 907 jobs * as at 2/97: 8 investment projects at J$259.5, 728 jobs, in pipeline * as at 2/97: 1 joint venture implemented at J$2.5M
Intersectoral Linkages	*Target:*	* backward linkages with fabric, trims, accessories suppliers * exploit linkages to entertainment sector for promotion of souvenir products
	Initiatives:	* develop database on input suppliers * investment incentives for manufacturing of trims, accessories * use overseas sales promotion events (eg Japansplash) for promotion of garment products * "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings gourmet foods); * "Jamaica Jamboree", New York (10/96) promoting design-led products

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MINERALS, CHEMICALS & ALTERNATIVE ENERGY

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* aggregate: increase exports by minimum of 500,000 tons * ground calcium carbonate: increase exports by 90,000 tons * lime: import substitution by Bauxite companies: 100,000 tons export of extra capacity: 72,000 tons * import substitution in commercial marble (on hold)
	Initiatives:	* market research; JAMPRO to develop data base * promotional activities: greater participation in trade shows; newsletters, newspapers, INTERNET * MAM: limestone quarry zoning & related activities
Diversification	*Products:*	* bottled mineral water (price-competitiveness requires PET bottle production) * mineral spa facilities * marble tiles for flooring, walls, furniture * precious & base metals (gold, silver, nickel, copper) * semi-precious stones * alternate energy products (solar, wind)
	Markets:	* development of new markets listed as objective * focus on North America, South American & Caribbean * local market (& tourists for mineral spas)
	Initiatives:	* promotional activities * MAM to evaluate & promote Jamaica's non-bauxite metallic minerals potential
	Achievemts:	* four new companies in Marble; one new company with Marble Furniture Project
Product Design/ Quality	*Initiatives:*	* develop labels and packaging for marble, limestone, whiting
Productivity	*Initiatives:*	* R&D support/technical assistance to be sought from UWI, GSD, MAM, Industrial Minerals Institute, Jampro Productivity Center, NRCA etc.
Organization	*Initiatives:*	* maintain/develop information base on sector * coordinate outside R&D support/technical assistance

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MINERALS, CHEMICALS & ALTERNATIVE ENERGY (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Investment	*Target:*	* 4-6 projects
	Initiatives:	* promotional activities re: investment potential * MAM to expand/upgrade geological maps, geochemical & geophysical data * MAM to provide technical & analytical support
	Achievemts:	* three new investors in limestone (whiting) * new crushed stone/sand/gravel investment project in St. Ann currently seeking development loan to open quarry * 2 lime investment projects implemented: J$566M; 57 jobs * 11 pipeline projects: J$4.8B; 445 jobs
Intersectoral Linkages	*Target:*	* sourcing of PET bottles abroad = major constraint for mineral water product * need for caustic soda plant as product currently imported by Bauxite industry * linkage potential: mineral spas & tourism sector * linkage potential: marble & construction, furniture sectors * 2 new linkage projects
	Initiatives:	* project development (min. 3; eg. caustic soda, steel, lime, calcium carbide) * targeted promotional activities * submission of Policy Document on Incentives (min. 2 projects, eg PET bottle production, Spa facilities etc)
Environment	*Target*:	* stem illegal removal of sand
	Initiatives:	* regulation & enforcement (police/military); monitoring committees * development of limestone substitute for river sand for use in construction * MAM to liaise with environmental agencies, eg NRCA

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SMALL BUSINESS

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	*Target:*	* introduce entrepreneurs to international market place * establish trading links between local entrepreneurs & Jamaican residents abroad
	Initiatives:	* alliance with export & trade promotion entities (JETCO) * target enterprises with export potential & encourage participation in Expos/trade fairs
Diversification	*Initiatives:*	none specified
Product Design/ Quality	*Initiatives:*	none specified; spill-overs from productivity-enhancing measures
Productivity	*Target:*	* business upgrading, espec. in apparel, furniture, agro-processing, community groups (craft, paper) * appropriate technology & methodology * production lay-out * record-keeping/accounting systems
	Initiatives:	* business management workshops * market research to gather information on new technologies * skills/technology upgrading workshops (in collaboration with SRC, HEART/NTA)
Organization	*Initiatives:*	* strategic alliance with other (Small) Business Development Agencies (SRC, RADA, UTECH, SBAJ) * alliance with trade & export promotion entities * JAMPRO to serve as broker for accessing financing, marketing etc services * Entrepreneurship Club (monthly meetings) * SBAJ Fellowship Hall Development Complex: provision of factory space & centralized support system; located on 70 acres; financed through J$20M NIBJ equity participation; J$35M, 8% NDB loan

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SMALL BUSINESS (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Investment	*Target:*	* establishment/expansion of 84 projects * increase value of investments by 20% (J$21M)
	Initiatives:	* provide business counseling & business plan preparation services * serve as broker for financing, marketing etc services * promotional activities: presentations, workshops, media * Youth Camp participation, presentations at PTA * investment seminars * participation in SBAJ expo
Intersectoral Linkages	*Initiatives:*	none specified
Credit Initiatives		* J$11.5M Japanese Grant (administered by World Bank) to assess current credit delivery system to micro/small business sector; tenders currently under review; preparatory work to take 6 months * GOJ/GON Micro Enterprise Project: provision of J$234M in credit to the sector & technical assistance to financial institutions; since inception of 2nd phase: J$206 (plus J$35 from credit institutions) disbursed to finance 801 micro-businesses * GOJ/EU Small & Micro Enterprise Credit Scheme: J$256M to be retailed to borrowers through Eagle Merchant Bank over 2-year period. 4-12/95: J$52.4M disbursed to finance 164 businesses, creating 201 new jobs. Further disbursement suspended; programme under review; recommencement targeted for 7/97 * MIDA to seek approval for measures to reduce funding constraint.

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Figure 1
STRATEGIC PLAN
Policy Matrix

Objectives	Policies	Interventions/ Implementation
Stability, Predictability, Credibility	Macroeconomic Policy	* Fiscal Controls * Monetary Controls * BOJ Autonomy * Social Partnership
Growth and Diversification through building International Competitiveness	**INDUSTRIAL STRATEGY** Investment Promotion * Incentive System * Financing Mechanisms * Investment Packaging Infrastructure * Physical Infrastructure * Human Resource Development * Science & Technology Support Framework * Trade Policy * Labour Market Policy * Competition Policy * Small Business Development * Public Sector Reform	* Time-phased Sequence of Strategies * Targeting Strategic Sectors * Continous Consultation between Government, Business, Labour, and NGOs
Equity	Social Policy * Poverty Alleviation * Gender Perspective	* Social Agenda
Conservation of the Environment	Environmental Policy	* Incentives * Regulation/Enforcement * Public Education

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Figure 2
POLICY INTEGRATION AND COORDINATION

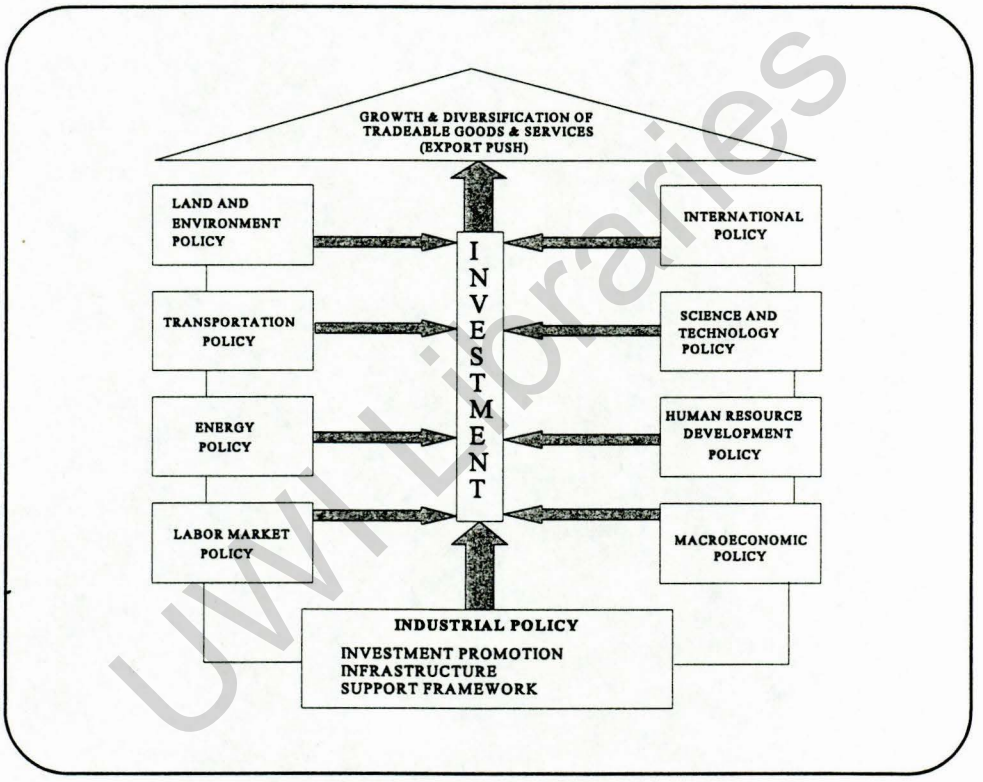

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Figure 3
TIME-PHASED SEQUENCE OF IMPLEMENTATION STRATEGIES

<table>
<tr><th>1996</th><th>1997-1998</th><th>1999-2010</th></tr>
<tr><td>Phase 1
Short-term Strategy:
establish Social Partnership</td><td></td><td></td></tr>
<tr><td>Phase 2
Medium-term Strategy:</td><td colspan="2">growth with stability</td></tr>
<tr><td>Phase 3</td><td colspan="2">Long-term Strategy: export push and efficient import substitution</td></tr>
</table>

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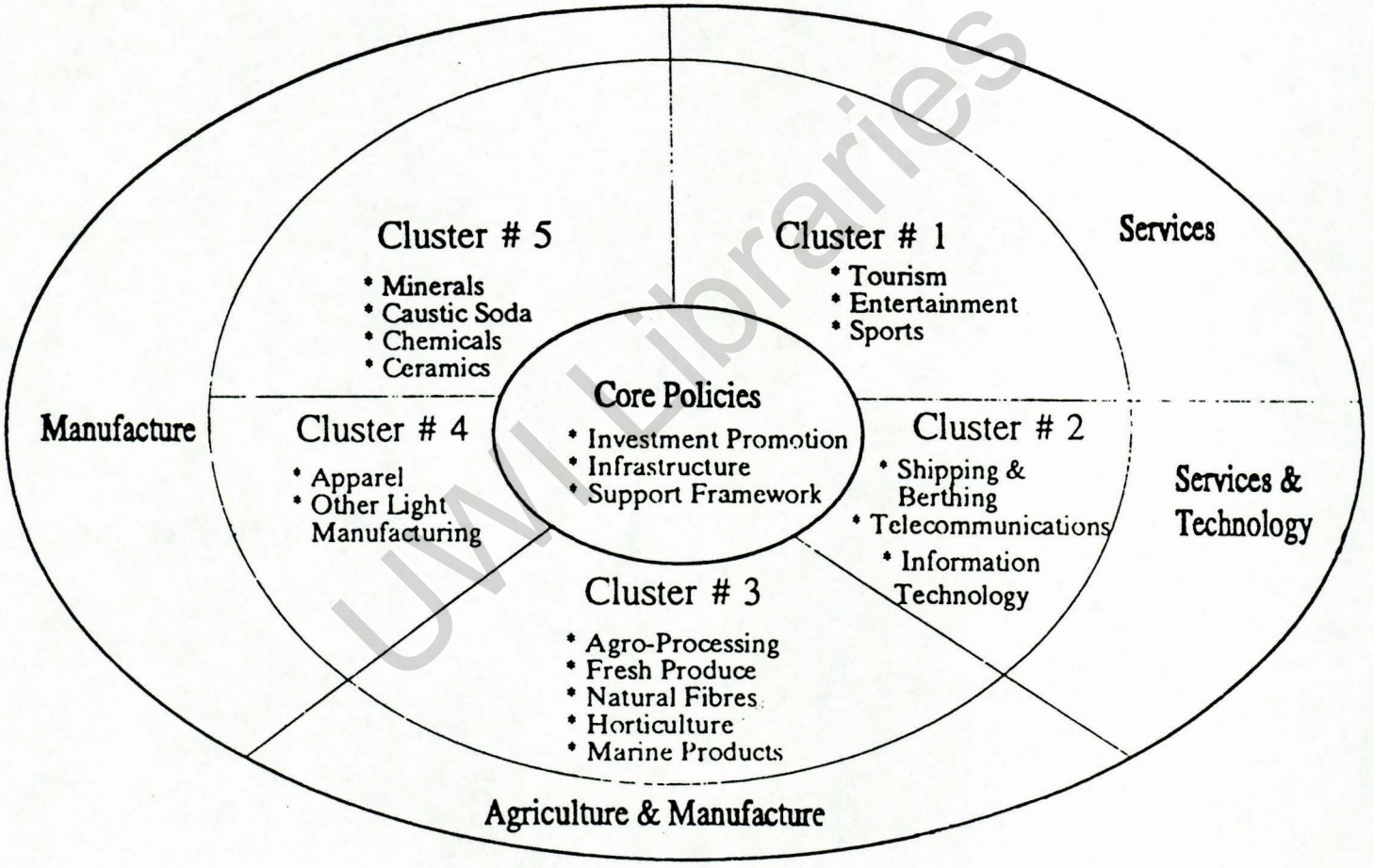
Figure 4
STRATEGIC INDUSTRY CLUSTERS



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