

**CARIBBEAN DEVELOPMENT BANK**



**RULES FOR  
THE SPECIAL DEVELOPMENT FUND**

**CARIBBEAN DEVELOPMENT BANK**

**RULES FOR THE SPECIAL DEVELOPMENT FUND**

**June 1983**

**CARIBBEAN DEVELOPMENT BANK**  
**RULES FOR THE SPECIAL DEVELOPMENT FUND**

**CONTENTS**

	<b>Page</b>
<b>1. GENERAL</b>	<b>1</b>
1.1 Introduction	1
1.2 Definitions, References and Headings	1
<b>2. MANAGEMENT OF THE SDF</b>	<b>2</b>
<b>3. CONTRIBUTION FROM THE ELIGIBLE CONTRIBUTORS</b>	<b>3</b>
3.2 Meetings	3
3.3 Timing of Contributions and Drawdowns from Contributors	3
3.4 Contribution Agreement	4
3.5 Source of Funds	4
3.6 Form and Currency of Contributions	5
3.7 Procedures for Drawdowns by CDB	5
<b>4. OPERATIONS OF THE SDF</b>	<b>5</b>
4.1 Eligible Recipients	5
4.2 Use of Resources and Sectoral Preferences	5
4.3 Blending	6
4.4 Terms of On-Lending	6
4.5 Currencies of Disbursement and Obligation	7
4.6 Procurement	8
4.7 Recycling of Resources	8
4.8 Investments	8
4.9 Income and Expenses	8
<b>5. AUDIT AND EVALUATION</b>	<b>9</b>
5.1 Separation of Operations	9
5.2 Accounts and Audit	9
5.3 Reporting and Evaluation	10
<b>6. AMENDMENTS, TERMINATION, WITHDRAWAL OF CONTRIBUTIONS, DISPOSAL OF RECOURCES ON TERMINATION, ARBITRATION</b>	<b>10</b>
6.1 Amendments	10

6.2	Termination	10
6.3	Withdrawal of Contribution	10
6.4	Disposal of Resources on Termination	11
6.5	Arbitration	11
7.	<b>ADOPTION OF RULES</b>	11
8.	<b>TRANSITIONAL PROVISIONS</b>	11

**CARIBBEAN DEVELOPMENT BANK  
RULES FOR THE SPECIAL DEVELOPMENT FUND**

**1. GENERAL**

**1.1 Introduction**

1.1.1 These Rules are made for the administration and use of the special fund known as the Special Development Fund (SDF), established by paragraph 1 of Article 8 of the Agreement establishing the Caribbean Development Bank (CDB), into which CDB may receive contributions which may be used to make or guarantee loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by CDB in its ordinary operations.

**1.2 Definitions, References and Headings**

1.2.1 Wherever use in these Rules, unless the context otherwise requires, the following terms shall have the following meanings:

- (i) “Annual Meeting of Contributors” means the meeting referred to in paragraph 3.2.2;
- (ii) “CDB” means Caribbean Development Bank;
- (iii) “Charter” means the Agreement establishing CDB;
- (iv) “Contribution” means the funds provided by a Contributor to the SDF which shall be on a non-reimbursable basis;
- (v) “Contribution Agreement” means the Agreement between CDB and a Contributor for a Contribution;
- (vi) “Contribution Cycle” means the period specified in paragraph 3.3.1;
- (vii) “Contributor” means Contributor to the SDF;
- (viii) “Eligible Member Countries” means the Regional States and Territories listed under Category A of Annex A to the Charter, Anguilla and such other member countries of CDB as CDB’s Board of Directors may determine;
- (ix) “Income” means the funds specified in paragraph 4.9.1;
- (x) “LDCs” means the Less Developed Eligible Member Countries as determined by CDB’s Board of Directors;

- (xi) “Loan” means the proceeds of the Resources lent by CDB;
- (xii) “MDCs” means the More Developed Eligible Member Countries as determined by CDB’s Board of Directors;
- (xiii) “Negotiation Meetings” means the meetings referred to in paragraph 3.2.3;
- (xiv) “Negotiation Period” means the period specified in paragraph 3.3.2;
- (xv) “Resources” means Contributions, and Income in the SDF;
- (xvi) “SDF” means the Special Development Fund established by paragraph 1 of Article 8 of the Charter; and
- (xvii) “Year” means calendar year.

1.2.2 Unless the Context otherwise requires, references in these Rules to sections or paragraphs are to sections and paragraphs of these Rules and reference to the singular shall include the plural and vice versa.

1.2.3 The Headings of the Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Rules.

## **2. MANAGEMENT OF THE SDF**

2.1.1 These Rules apply to each Contribution, to the Income and to other funds referred to in sub-paragraphs (iii) and (vii) inclusive of paragraph 3.5.1.

2.1.2 Subject to the provisions of paragraph 1 of Article 8 of the Charter, the Resources may be used in any manner and on any terms and conditions not inconsistent with the purpose and functions of CDB or with these Rules or with Articles 10, 12, 14, 15, 16 and 20 of the Charter.

2.1.3 Contributors who are not members of CDB shall be invited to be present with the right to speak at meetings of CDB’s Board of Directors when projects, policies and other matters related to the SDF are being considered.

2.1.4 Except as otherwise provided in these Rules, any decision, determination, agreement or other exercise of powers of CDB with reference to the SDF shall involve the same exercise of responsibilities by CDB’s Board of Governors, CDB’s Board of Directors, and the President and Staff of CDB as would apply in comparable circumstances to the ordinary operations of CDB.

2.1.5 The procedures adopted for the exercise of the powers referred to in paragraph 2.1.4 shall, where appropriate, be the same as those which apply in the

ordinary operations of CDB and shall, in addition, include arrangements for consultation with Contributors or such other arrangements as may be adopted from time to time.

### **3. CONTRIBUTIONS FROM THE ELIGIBLE CONTRIBUTORS**

3.1.1 Contributions may be accepted from any country which is a member of CDB, any country eligible for membership in CDB or any agency of any such member country of other eligible country, or any entity or enterprise in the public or private sector operating in any such country, or from international or regional agencies or other entities concerned with the economic development of the Eligible Member Countries.

#### **3.2 Meetings**

3.2.1 Each Contributor not being a member of CDB shall be invited to attend as an observer at Annual Meetings of CDB's Board of Governors in accordance with the rules and procedures for such Meetings and shall be entitled to participate at Annual Meetings of Contributors and Negotiation Meetings.

3.2.2 The Annual Meeting of Contributors shall be held during the same period and in the same territory as the Annual Meeting of CDB's Board of Governors or at such other time and place as CDB and the Contributors may determine. At the Annual Meeting of the Contributors, there shall be a review of the progress of the SDF on the basis of that portion of CDB's Annual Report specified in paragraph 5.3.1 and, at the Annual Meeting of the Contributors immediately preceding each Fourth Annual Meeting of Contributors, there shall be a detailed evaluation of the operations of the SDF as specified in paragraph 5.3.2.

3.2.3 Negotiation Meetings shall be meetings of the Contributors held during a Negotiation Period, other than the Annual Meeting of Contributors, at which replenishment of the Resources and Financial commitments are discussed. The first Negotiation Meeting during a Negotiation Period shall be held during the same period, or immediately thereafter, and in the same territory as the Annual Meeting of Contributors immediately preceding each Fourth Annual Meeting of Contributors or at such other time and place as CDB in consultation with the Contributors may determine and each subsequent Negotiation Meeting shall be held at such time and place as CDB in consultation with the Contributors may determine.

#### **3.3 Timing of Contributions and Drawdown from Contributors**

3.3.1 Contribution Cycles shall be approximately four (4) years each or such other period as CDB in consultation with the Contributors may from time to time determine and shall be the period during which projects and programmes to be financed by CDB from Contributions pledged for a Contribution Cycle are expected to be approved by CDB. The first Contribution Cycle shall commence on such date as CDB in consultation with the Contributors may determine.

3.3.2 A Negotiation Period shall be the period during which decisions are taken by Contributors as to the procedures and the terms and conditions under which Contributions for the relevant Contribution Cycle are to be made. Such period shall commence on or about the date of the Annual Meeting of Contributors immediately preceding each Fourth Annual Meeting of Contributors or such other date as CDB in consultation with the Contributors may determine and end at such time as CDB in consultation with the Contributors may determine.

3.3.3 Contributions shall be made in accordance with decisions taken during the Negotiation Period for the Contribution Cycle for which such Contributions are to be made. A Contribution may be pledged at any time consistent with such decisions and ratification of any such pledge shall be concluded within six months therefrom by a Contribution Agreement referred to in paragraph 3.4.1.

3.3.4 Payment of Contributions shall be by means of cash or non-interest bearing non-negotiable demand notes or both cash and notes to meet pledges. Drawdowns by CDB of such Contributions shall be at least semi-annually based on CDB's projected disbursement requirements for the ensuing period of six months and in amounts pro-rated to the size and time of each contribution.

### **3.4 Contribution Agreement**

3.4.1 The terms on which a Contribution is to be made shall be set forth in a Contribution Agreement which shall be subject to these Rules and to decisions taken during the relevant Negotiation Period and shall specify the amount of the Contribution and the form and terms in which the Contribution is to be made.

### **3.5 Source of Funds**

3.5.1 Funding for the SDF shall be from the following sources:

- (i) Contributions from members of CDB, their agencies and entities and enterprises in the countries of such members;
- (ii) Contributions from other countries, agencies, entities and enterprises referred to in paragraph 3.1.1;
- (iii) existing funds in CDB which donors thereof agree to include in the SDF;
- (iv) net income earned on the SDF and on other existing funds brought into the SDF in accordance with sub-paragraph (iii) above;
- (v) repayment of amounts lent from the SDF or other existing funds brought into the SDF in accordance with sub-paragraph (iii) above;
- (vi) income and repayments on existing funds in CDB which donors thereof agree could be so contributed; and

- (vii) such other funds as may be determined by the Board of Governors from time to time.

### **3.6 Form and Currency of Contribution**

3.6.1 Each Contribution shall be denominated and paid either in US dollars or in the currency of the Contributor provided such currency is freely and fully convertible into US dollars or in both US dollars and such convertible currency. No Maintenance of Value provisions shall apply to the SDF.

3.6.2 Whenever it shall be necessary to determine the value of any currency in terms of another currency or the unit of account of CDB, the valuation shall be reasonably made by CDB applying, as far as practicable, the principles applicable to valuation of currencies forming part of CDB's Ordinary Capital Resources.

### **3.7 Procedures for Drawdowns by CDB**

3.7.1 Annually, CDB shall submit to each Contributor:

- (i) requests for drawdowns from the Contributor;
- (ii) the amounts drawdown by CDB from each Contributor as at the end of the immediately preceding year;
- (iii) statement of disbursements by CDB from the Resources during the immediately preceding year;
- (iv) projected estimates of disbursements by CDB for the current and immediately succeeding years and the pro-rata projected drawdowns by CDB from each Contributor to meet such disbursements; and
- (v) details of the absolute and relative updated Contribution of each Contributor for the given Contribution Period.

## **4. OPERATIONS OF THE SDF**

### **4.1 Eligible Recipients**

4.1.1 Subject to the provisions of these Rules and of the Charter, CDB may provide financing\* or other assistance from the SDF to the Eligible Member Countries or to any political sub-division or any agency thereof, or any entity or enterprise in the public sector operating in the Eligible Member Countries, as well as to international or Caribbean or regional agencies or other entities concerned with the economic development of the Eligible Member Countries.

---

\* Excludes equity.

## 4.2 Use of Resources and Sectoral Preferences

4.2.1 Resources shall be available to finance projects and programme of high developmental priority in all sectors for which CDB lends and provides technical assistance.

4.2.2 In the use and allocation of resources, attention shall be given to the disadvantages to development potential imposed by the limitations of the relative market sizes of the Eligible Member Countries, relevant economic and social indicators (including the level of economic and social infrastructure) and absorptive capacity and, in addition, the following criteria shall be taken into account:

- (i) eligible projects shall be those that have low financial rates of return or are not financially self-liquidating but which normally have an economic rate of return not less than that generally used by CDB in the appraisal of projects for funding in CDB's ordinary operations;
- (ii) without prejudice to the generality of the project criteria at (i) above and without being exclusive the following project types, because of their special nature shall be accorded special eligibility for financing:
  - (a) economic support infrastructure projects that are not necessarily self-liquidating, eg:
    - water and sewerage
    - rural electrification programmes
    - irrigation, drainage and land reclamation for agriculture
    - construction of feeder roads
    - major road reconstruction
    - ports
  - (b) lines of credit to financial intermediaries of the Eligible Member Countries for productive sector projects;
  - (c) lines of credit to Eligible Member Countries or their agencies for student loans and construction of industrial estates;
  - (d) housing, in limited and special cases where the use of the Resources is matched by local counterpart funds; and

- (e) agricultural projects which directly benefit small farmers and other low income groups and/or raise the nutritional levels of such groups.

### **4.3 Blending**

4.3.1 The Resources may be sued by CDB, in combination with any other Special Funds Resources of CDB and CDB's Ordinary Capital Resources or separately, to provide financing for projects and programmes.

### **4.4 Terms of On-Lending**

4.4.1 In the case of loans made or participated in by CDB, the terms and conditions of the Loan Agreement, including those relating to payment of principal and interest and other charges, maturities and dates of payment, shall be established in conformity with the general operating principles outlined in Section 4 and specifically detailed in paragraph 4.4.2 to 4.4.6 and other applicable provisions of the Charter and of these Rules.

4.4.2 Loans shall be denominated in US dollars and each Loan Agreement shall provide that all payments to CDB of interest and other charges and the repayment to CDB of principal under the Loan Agreement shall be made in US dollars.

4.4.3 Where the recipient of a loan or a guarantor of a loan is not itself an Eligible Member Country, CDB may, when it deems advisable, make it a condition of the Loan Agreement that the Eligible Member Country in whose territory the project or programme concerned is to be carried out or a public agency of that country, acceptable to CDB, or more than one Eligible Member Country, acceptable to CDB, guarantee the repayment of the principal and the payment of interest and other charges on the loan in accordance with the terms hereof.

4.4.4 Where the recipient of a loan or a guarantor of a loan is an Eligible Member Country, its central bank or other public agency of that Country, acceptable to CDB, the Loan Agreement or Guarantee Agreement, as the case may be, shall provide:

- (i) that subject to Article 42 of the Charter, if the country concerned ceases to be a member of CDB, any amount due to it for shares repurchased by CDB shall be withheld so long as that country, its central bank or other public agency remains liable, as recipient or guarantor of a loan made under these Rules or a loan made in the Other Special Funds operations or in the ordinary operations of CDB, and such amount may, at the option of CDB, be applied to any such liability as it matures; and
- (ii) that subject to Article 46 of the Charter, in the event of a distribution of the assets of CDB, that country shall not be entitled to receive its shares in such distribution until it has settled all its obligations with CDB.

4.4.5 The interest rate and commitment fee on loans shall be fixed by CDB's Board of Directors once every year or with such other frequency as CDB's Board of Directors may determine. Such rate and fee and any increase in the service charge referred to in paragraph 4.9.1, shall be determined by the financial and administrative costs related to the SDF.

4.4.6 The grace period and maturities of loans, and any fees and charges payable in respect thereof, shall be such as CDB's Board of Directors determine to be appropriate, having regard to the concessional nature of such loans and the requirements of prudent financial management of the SDF.

#### **4.5 Currencies of Disbursement and Obligation**

4.5.1 Subject to paragraph 4.4.2, in making loans CDB may furnish recipients with foreign currencies which are required to meet the direct and estimated indirect foreign exchange costs of the projects and programmes for which such loans are made. CDB may also provide foreign currencies to meet a reasonable portion of the local expenditures on a project or programme if considered by CDB appropriate having regard to the internal and external economic position and prospects of the recipient member and the nature and requirements of the project or programme.

#### **4.6 Procurement**

4.6.1 In general, procurement of good and services for projects financed from the Resources shall be open to Member Countries of CDB and substantial Contributors. In special cases, however, procurement from other sources may be permitted by CDB's Board of Directors.

4.6.2 The Resources shall be available without restriction to finance transportation and insurance costs associated with the procurement of goods and services.

4.6.3 Substantial Contributors shall be those whose Contributions are accepted as substantial at the relevant Negotiation Meeting and at the Annual Meeting of Contributors having regard to the amounts of such Contributions.

#### **4.7 Recycling of Resources**

4.7.1 The funds received by CDB from repayment of amounts lent by CDB from the resources shall be held and administered by CDB in accordance with these Rules and may be used by CDB to provide financing or other assistance to any of the countries, agencies, entities and enterprises referred to in paragraph 4.1.1 for any of the purposes set out and referred to in these Rules.

## **4.8 Investments**

4.8.1 CDB may invest any portion of the Resources held by it and not immediately needed for its operations in any manner in which CDB's Ordinary Capital Resources may be invested paying due regard to the need to maximise income and ensuring liquidity or availability when needed.

## **4.9 Income and Expenses**

4.9.1 The Income of the SDF shall be:

- (i) interest and commitment fees on loans;
- (ii) a service charge of not less than one percent (1%) per annum on the amount outstanding from time to time on each loan;
- (iii) income from investments made in accordance with the provisions of paragraph 4.8.1; and
- (iv) any other income which CDB's Board of Directors shall determine; less the expenses referred to in paragraph 4.9.2.

4.9.2 The expenses to be charged against the Resources or any part thereof shall be:

- (i) CDB's financial and administrative expenses appertaining directly to operations financed from the SDF;
- (ii) appropriations for CDB's Technical Assistance operations; and
- (iii) any other expenses related to operations financed from the Resources derived in accordance with such formula as CDB's Board of Directors shall determine.

4.9.3 The expenses of CDB appertaining directly to the SDF shall be charged first to the income and any balance of such expenses shall be charged to the remainder of the Resources.

4.9.4 Under no circumstances shall CDB's Ordinary Capital Resources be charged with, or used to discharge, any losses or liabilities arising out of the operations or other activities of the SDF.

## **5. AUDIT AND EVALUATION**

### **5.1 Separation of Operations**

5.1.1. The Resources shall, at all times and in all respects, be held, used, committed, invested or otherwise disposed of entirely separate from CDB's Ordinary Capital Resources and other special funds, their resources and accounts.

## **5.2 Accounts and Audit**

5.2.1 The Financial Statements of CDB shall show the operations of the SDF separately.

5.2.2 CDB shall maintain accounts adequate to record the operations of the SDF and to reflect, in accordance with generally accepted accounting principles, the status of the SDF showing the income and projects and programmes financed thereby.

5.2.3 The accounts of the SDF shall be audited at the close of each financial year by the external auditors of CDB and shall be subject to the same audit requirements by CDB's internal; and external auditors as apply to accounts of CDB's Ordinary Capital Resources.

5.2.4 CDB's Board of Directors shall submit to CDB's Board of Governors for approval, at the Annual Meeting of CDB's Board of Governors, the audited Financial Statement of the SDF including a general balance sheet and a statement of income and expenditure together with the statements relating to the Contributions and the Income. This information shall also be submitted to the Annual Meeting of Contributors.

## **5.3 Reporting and Evaluation**

5.3.1 CDB shall include in its Annual Report a separate section in respect of the SDF containing appropriate information on Contributions, projects and programmes financed by the Resources, and the receipts and disbursements of, and the balance in, each Contribution.

5.3.2 CDB shall from time to time undertake a detailed in-depth evaluation of the operations of the SDF which shall be completed for distribution to the Contributors at least three (3) months prior to the Annual Meeting of Contributors immediately preceding each Fourth Annual Meeting of Contributors and shall include:

- (i) the financial situation of the SDF;
- (ii) the uses for which the Resources have been committed; and
- (iii) the general operations and difficulties associated with the SDF.

## **6. AMENDMENTS, TERMINATION, WITHDRAWAL OF CONTRIBUTIONS, DISPOSAL OF RESOURCES ON TERMINATION, ARBITRATION**

### **6.1 Amendments**

6.1.1 These Rules may be amended or revoked by CDB only at the end of a Contribution Cycle. No such amendment or revocation shall be effective in respect of any Contribution Agreement concluded prior thereto without the unanimous consent of the Contributors.

## **6.2 Termination**

6.2.1 CDB may, after consultation with the Contributors, terminate CDB's administration of the SDF.

6.2.2 CDB's administration of the SDF shall terminate automatically upon termination by CDB of its operations pursuant to Article 44 of the Charter.

## **6.3 Withdrawal of Contribution**

6.3.1 Where a Contribution Agreement provides that a Contributor may, after consultation with CDB, withdraw all or part of its Contribution, CDB upon receipt of notice of withdrawal shall, within a reasonable period thereafter (unless such notice is cancelled), transfer to the Contributor such of the said Contribution as is in the possession of CDB and is not required for the purpose of settlement of any obligations, and shall transfer the balance of such Contribution as and when received by CDB.

## **6.4 Disposal of Resources on Termination**

6.4.1 Upon termination of CDB's administration of the SDF, CDB shall:

- (i) forthwith cease all activities relating to the Resources, except those incidental to their orderly realisation, conservation and presentation and settlement of the direct or contingent obligations to which they may be subject;
- (ii) dispose of the balance of:
  - (a) any Contributions; and
  - (b) any income other than income transferred to reserves, by making pro-rata distributions thereof to the Contributors proportionate to their respective residual interests in the Resources; and
- (iii) dispose of any income transferred to reserve in such manner as CDB shall determine.

## **6.5 Arbitration**

6.5.1 If a disagreement outside the scope of Article 59 of the Charter should arise between CDB and a Contributor concerning any matter arising out of, or in connection with, a Contribution Agreement between CDB and the Contributor which cannot be settled by consultation between the parties, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by CDB and another by the Contributor and the third, unless the parties otherwise agree, by the President of the International Court of Justice or such other authority as may have been prescribed by regulations adopted by the Board of Governors for the purpose of Article 60 of the Charter. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon all the parties. The third arbitrator shall be empowered to settle all questions of procedure, in any case where the parties are in disagreement with respect thereto.

## **7. ADOPTION OF RULES**

7.1.1 These Rules are adopted pursuant to paragraph 1 of Article 8 of the Charter.

## **8. TRANSITIONAL PROVISIONS**

8.1.1 These Rules supersede the Rules for the Special Development Fund adopted by the Board of Directors in October 1970 (hereinafter called the Former Rules) except in the case of funds made available to CDB subject to the Former Rules and to which these Rules do not apply.

---

ADOPTED by CDB's Board of Directors at its Eightieth Meeting, held in Colombia on May 9 and 12, 1983.