

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND

RESOLUTION OF CONTRIBUTORS TO SDF 3
WITH REPORT OF MEETINGS OF CONTRIBUTORS
ON OCTOBER 24, 1989, MAY 16, AND OCTOBER 19, 1990
AND MAY 7, 1991, AS SCHEDULE 3

ADOPTED MAY 7, 1991

MAY 1991



DRAFT RESOLUTION OF CONTRIBUTORS
TO THE SPECIAL DEVELOPMENT FUND
OF THE CARIBBEAN DEVELOPMENT BANK

(SDF 3)

WHEREAS:

The Board of Directors of the Caribbean Development Bank (hereafter called 'the Bank') at its One Hundred and Thirty-First Meeting, held on May 14, 1990, has determined that, having regard to the needs of the Bank's borrowing members, the Bank should undertake a replenishment of the Special Development Fund to finance the Bank's concessionary lending programme for the four-year period commencing January 1, 1992, and for that purpose should seek contributions to the Fund; and

The Governments listed in Schedule 1 to this Resolution have indicated their intentions to make contributions to the Special Development Fund in the respective amounts set out in the said Schedule 1 in accordance with the arrangements set forth in this Resolution and on the basis of the decisions contained in the Report at Schedule 3 to this Resolution.

NOW THEREFORE, the abovementioned Governments (herein called the Contributors) hereby RESOLVE as follows:

1. Definitions

As used in this Resolution, unless the context otherwise requires, the several terms defined in the Rules for the Special Development Fund (adopted May 1983) have the respective meanings set forth therein, except that the term "Contribution Cycle" means the period of four years commencing January 1, 1992 and ending December 31, 1995, and the following additional terms have the following meanings:

- (i) "cash portion" means that portion of a contribution which is payable in cash as indicated by the Contributor in its Instrument of Contribution;
- (ii) "currency of obligation" means the applicable currency of obligation indicated in the Second Column of Schedule 1 to this Resolution in which the relevant Contribution is to be made pursuant to paragraphs 3 (a) and 7 (a) of this Resolution;
- (iii) "instalment" means a cash payment which is part of a cash portion or a deposit of a note which is part of a notes portion;
- (iv) "notes" means non-negotiable non-interest bearing notes payable at their par value on demand;
- (v) "notes portion" means that portion of contribution which is payable by the deposit of notes as indicated by the Contributor in its Instrument of Contribution;

- (vi) "qualified contribution" means a contribution as defined in paragraph 3 (d) of this Resolution;
- (vii) "SDF 3" means the replenishment of the Special Development Fund for the Contribution Cycle;
- (viii) "unqualified contribution" means a contribution as defined in paragraph 3 (c) of this Resolution.

2. Contributions

(a) Pledges by Contributors

The Contributors listed in Schedule I to this Resolution hereby severally pledge to the Bank contributions to SDF 3 for inclusion in the Special Development Fund of the Bank in amounts not less than those indicated for the respective Contributor and in the respective currencies of obligation set out in the said Schedule 1 to this Resolution.

(b) Additional Contributions

Notwithstanding the provisions of paragraph 2 (a) above, the Bank may accept from any of the Contributors listed in Schedule I to this Resolution and other Contributors additional contributions to SDF 3 during the Contribution Cycle on terms and conditions similar to those set out and referred to in this Resolution.

3. Contribution Agreement

(a) Agreements resulting from Pledges under this Resolution

By December 31, 1991 or such later date as may be determined by the Board of Directors of the Bank, each Contributor listed in Schedule 1 to this Resolution shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to SDF 3 the amount of its contribution in the applicable currency of obligation as set forth in Schedule 1 to this Resolution and each such instrument of Contribution shall constitute a Contribution Agreement.

(b) Agreements resulting from additional Contributions

Within three months after the Bank has notified a Contributor that the Bank will accept an additional contribution to SDF 3 in the amount offered or proposed by such Contributor and on terms and conditions similar to those set out and referred to in this Resolution, or by such later date as may be determined by the Bank, such Contributor shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to

SDF 3 the amount of its contribution in the applicable currency of obligation as agreed to with the Bank and each such Instrument of Contribution shall constitute a Contribution Agreement.

(c) Unqualified Contribution

Subject to the provisions of paragraph 3 (d) below, each Contribution Agreement shall constitute an unqualified commitment by the Contributor to make payment of its contribution in the manner and on the terms set forth in or contemplated by this Resolution.

(d) Qualified Contribution

As an exceptional case, where an unqualified contribution cannot be given by a Contributor due to its legislative practice the Bank may accept from that member a contribution under a Contribution Agreement which contains the qualification that payment of all instalments of the contribution except the first is subject to subsequent budgetary appropriations. Such an agreement, however, shall include an undertaking by the Contributor to seek the necessary appropriations in order to make payments of the second and subsequent instalments in accordance with paragraph 6 (a) and (b) below during the Contribution Cycle and to notify the Bank as soon as each such appropriation is obtained. Portions of a contribution covered by such an Agreement shall from time to time become unqualified to the extent that appropriations have been obtained.

4. Entry into Effect

Effectiveness of Contributions

Each Contribution shall become effective on the date of deposit with the Bank of the relevant Contribution Agreement.

5. Mode of Payment

All payments in respect of a Contribution shall be made in cash or by the deposit of notes of the Contributor or in both cash and notes.

6. Instalment Payments

(a) Amounts of Instalments and Payment Dates

Except as otherwise provided in this Resolution,

- (i) each cash portion shall be paid to the Bank in equal instalments, each in an amount of not less than twenty-five percent of the total cash portion, in such manner that at least one payment shall be made prior to July 31 in each year of the Contribution Cycle; or such later date as the Bank may determine; and

- (ii) each notes portion shall be paid to the Bank in equal instalments each of not less than twenty-five percent (25%) of the relevant notes portion in such manner that at least one payment shall be made prior to July 31 in each year of the Contribution Cycle or such later date as the Bank may determine.

(b) Payment of First Instalments and Draw Downs

Subject to the provisions of paragraph 6 (a) above and paragraphs 6 (d) and (e) below, each first instalment of a cash portion and a notes portion shall be made within thirty (30) days after the date of the deposit with the Bank of the relevant Contribution Agreement, and drawdowns by the Bank in respect of notes deposited shall be semi-annually based on the Bank's projected disbursement requirements.

(c) Payments of a Qualified Contribution

Payments of instalments of a cash portion or a notes portion of a Qualified Contribution shall be made in accordance with paragraphs 6 (a) and (b) above unless such payments cannot be made because of the legislative practice of the Contributor. In such cases, payments shall be made within thirty (30) days after and to the extent that each such instalment has become unqualified.

(d) Payments of a delayed Contribution

If any Contributor shall deposit a Contribution Agreement after the date when the first instalment shall be payable pursuant to paragraph 6 (a) above, payment of any instalment due up to the time of the deposit of the Contribution Agreement pursuant to the provisions of paragraph 6 (a) above shall be made within 30 days after the date of deposit of such Agreement.

(e) Optional Arrangements

A Contributor at its option may:

- (i) pay its contribution in fewer instalments or in larger portions or at earlier dates than those specified in paragraph 6 (a) above, provided that such payment arrangements are no less favourable to the Bank;
- (ii) defer payments of its first instalment until Contribution Agreements for an aggregate amount equivalent to at least fifty percent (50%) of the total sum indicated in Schedule 1 to this Resolution have been deposited with the Bank; and

- (iii) in the second or a subsequent calendar year of the Contribution Cycle; provided it has paid all instalments for the preceding calendar year, defer payments of further instalments so long as there is in arrears an aggregate amount equivalent to at least fifty per cent (50%) of the instalments payable by the other Contributors listed in Schedule 1 to this Resolution.

7. Currency of Payment

(a) Currency of Obligation

Each Contributor shall make its contribution in the applicable currency of obligation specified in Schedule 1 to this Resolution or, in the case of an additional Contribution, in the currency of obligation agreed to with the Bank.

(b) Acceptance by the Bank of other Currency

If a Contributor wishes to use a currency other than the currency of obligation for payment of any portion of the Contribution, the Bank at the option of the Bank may accept such other currency and the amount of such other currency at the time of such payment shall be determined by the Bank applying, as far as practicable, the principles applicable to valuation of currencies forming part of the Bank's Ordinary Capital Resources.

8. Meetings of Contributors

If, during the Contribution Cycle, delays in the making of any instalments cause or threaten to cause a suspension in the Bank's concessionary lending operations, or otherwise prevent substantial attainment of the goals of SDF 3, the Bank shall convene a meeting of the Contributors to review the situation and consider ways of obtaining the necessary instalments and, based on the recommendation of such a meeting, the Bank shall adopt such measures as considered necessary.

9. Use of SDF 3

Contributions made under this Resolution shall be used and administered in accordance with the Rules for the Special Development Fund (adopted May 1983) and the decisions contained in the Report at Schedule 3 to this Resolution.

SCHEDULE 1
CONTRIBUTIONS TO THE SPECIAL DEVELOPMENT FUND (SDF 3)

Contributors	Proposed Contributions '000s		
	Currency of Obligation	Amount in Currency of Obligation*	US\$ Equivalent (mn)
<u>Regional Members</u>			
1. Jamaica	US\$	3,870	3.87
2. Trinidad and Tobago	US\$	3,850	3.85
3. Commonwealth of The Bahamas	US\$	2,160	2.16
4. Guyana	US\$	2,160	2.16
5. Antigua and Barbuda	US\$	250**	0.25
6. Barbados	US\$	2,160	2.16
7. Belize	US\$	650	0.65
8. British Virgin Islands	US\$	250	0.25
9. Commonwealth of Dominica	US\$	650	0.65
10. Grenada	US\$	650	0.65
11. Montserrat	US\$	***	***
12. St. Kitts and Nevis	US\$	650	0.65
13. St. Lucia	US\$	650	0.65
14. St. Vincent and the Grenadines	US\$	650	0.65
15. The Cayman Islands	US\$	***	***
16. Turks and Caicos Islands	US\$	250	0.25
17. Anguilla	US\$	250	0.25
18. Mexico	US\$	5,000	5.00
19. Venezuela	US\$	5,000	5.00
20. Colombia****	US\$		
Total - Regional Members		29,100	29.10
<u>Non-Regional Members</u>			
1. Canada	Canadian dollar	23,146	20.0
2. United Kingdom	Pound Sterling	10,578	20.0
3. France	French Franc	73,437	14.0
4. Italy	Lira	16,218,027	14.0
5. Germany	Deutschemark	21,654	14.0
Total - Non-Regional Members		-	82.0
<u>Non-Member</u>			
1. The Netherlands	Guilder	12,210.8	7.00
Total - Non-Member		-	7.00
TOTAL PLEDGES UNDER SDF 3		-	118.10

* At average daily exchange rates existing during the six-month period ending April 30, 1991: viz: Canadian dollar 1.1573 Netherlands Guilder 1.7444
French Franc 5.2455 Pound Sterling 0.5289
Italian Lira 1158.4305 Deutschemark 1.5467

** An additional pledge of \$400 is expected.

*** Pledge of \$250 is expected.

**** Pledge of \$5,000 has been proposed by this contributor.

SCHEDULE 2

INSTRUMENT OF CONTRIBUTION

(Insert)
(Office)
(Address of Signatory)

The Vice-President (Corporate Services)
and Bank Secretary
The Caribbean Development Bank
P.O. Box 408
Wildey
St. Michael
BARBADOS W.I.

Date:

Dear Sir:

I am pleased to inform you that (name of country), by means of this letter, agrees to contribute to the Special Development Fund (SDF ^{3/}) of the Caribbean Development Bank (CDB) an amount of (the equivalent of) ^{1/} United States dollars (US\$) (in Currency of ^{2/} obligation) ^{1/} of which \$ will be in cash and the remainder in notes, ^{2/} pursuant to and in accordance with the conditions contained in the Resolution of the Contributors to the Special Development Fund (SDF 3) adopted at the Meeting of Contributors on May 7, 1991.

^{3/} Payment of the second and subsequent instalments of the Contribution is subject to budgetary appropriations and (name of country) hereby undertakes to seek the necessary appropriations in order to pay such instalments in accordance with paragraph 6 (a) and (b) of the abovementioned Resolution and to notify CDB as soon as each such appropriation is obtained.

In the name and on behalf of (name of country), I declare that all the necessary legal requirements to assume this agreement of contribution have been fulfilled.

Yours sincerely,

4/

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- 1/ To be deleted if currency of obligation is US dollars. Where there is another currency of obligation, such currency is to be inserted in place of the phrase "Currency of Obligation".
 - 2/ To be altered as appropriate.
 - 3/ Applicable only if the Contribution is qualified.
 - 4/ To be signed by the Governor of the member country on the Bank's Board of Governors except in the case of Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands, and non-member contributing countries, when it should be signed by the proper authority of each such country.

SCHEDULE 3
REPORT OF MEETINGS OF CONTRIBUTORS TO
THE SPECIAL DEVELOPMENT FUND 3 HELD ON OCTOBER 24, 1989,
MAY 16 and OCTOBER 19, 1990 AND MAY 7, 1991

[Dollars (\$) throughout refer to United States dollars (US\$)
unless otherwise stated]

At the Meetings of Contributors held in Barbados on October 24, 1989, in The Bahamas on May 16, 1990, in Barbados on October 19, 1990 and in Mexico on May 7, 1991, Contributors agreed that the following considerations should guide the administration of the resources made available for SDF 3.

I. Role of the SDF in the 1990s

1.01 SDF resources will continue to be used to advance the Bank's aims and objectives. More specifically, the resources will be channelled to high priority development activities mainly in the poorer countries thereby creating a capacity for self-sustaining development. However, to help alleviate the widespread poverty in some countries, a judicious proportion of the resources will be used to finance projects which would benefit the poor directly. One new programme will be introduced into the SDF operations, namely, the Small-Scale Enterprise Development Programme (SSEDP). Specific appropriations will be made to continue the Basic Needs Trust Fund (BNTF) Programme and Technical Assistance (TA). Contributors also agreed that CDB will use up to \$5 mn for the SSEDP.

II. Financial Assistance Programme

2.01 The financing programme for SDF 3 during the period 1992-95 is projected at \$167 mn.

2.02 The composition of the financial assistance programme for the cycle is estimated as follows:

	<u>\$ mn</u>
Lending for capital projects	129.0
SSEDP	5.0
TA	18.0
BNTF	<u>15.0</u>
Total	<u>167.0</u>

2.03 The \$167 mn SDF Programme for 1992-95 is expected to be utilised and financed as follows:

<u>Uses</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(\$ mn)					
Lending Programme						
(including SSEDp)	31.0	33.0	33.0	33.0	33.0	-
TA (including SSEDp)	5.0	5.0	5.0	5.0	5.0	-
BNTF	<u>3.0</u>	<u>3.7</u>	<u>3.7</u>	<u>3.8</u>	<u>3.8</u>	-
Total	<u>39.0</u>	<u>41.7</u>	<u>41.7</u>	<u>41.8</u>	<u>41.8</u>	-
<u>Sources</u>						
Projected Balance at beginning of year	41.7	12.4	105.8	75.9	47.2	19.7
New Pledges	-	124.0	-	-	-	-
Recycled Payments	4.9	5.8	6.4	7.5	8.4	-
Net Income	<u>4.8</u>	<u>5.3</u>	<u>5.4</u>	<u>5.6</u>	<u>5.9</u>	-
Total	<u>51.4</u>	<u>147.5</u>	<u>117.6</u>	<u>89.0</u>	<u>61.5</u>	-

III. Sectoral Focus

3.01 Resources will continue to be directed at financing economic and social programmes of high developmental priority which are not necessarily financially self-liquidating, e.g. in water and sewerage, disaster rehabilitation, environmental mitigation, forestry, human resource development, road transportation and lines of credit. In many cases, SDF resources will be used in a judicious blend with OCR to reflect the nature of the project, the country's economic situation and the available SDF allocation to the country. Resources will be mainly channelled into projects that, among other things, alleviate poverty, improve the earning capacity of women and the unemployed, enhance rural development, provide critical basic needs and encourage increased competitiveness, enterprise development and industrialisation. It is estimated that about 20% of the SDF will be channelled to structural adjustment lending and, as in the past, such financing will be in association with the World Bank and/or the International Monetary Fund.

3.02 Contributors supported the Disaster Rehabilitation Programme (DRP) as part of CDB's response mechanism to the frequent occurrence of natural disasters and agreed that a sum of \$10 mn not forming part of the specified country allocation, may be used for this programme.

3.03 Contributors supported the proposal to facilitate small business development and agreed to use the SDF to supplement the financing provided by other agencies for developing small businesses.

3.04 Some of the SDF resources will be used to provide TA, particularly in training and institutional strengthening, to support economic recovery and structural adjustment programmes in the BMCs, and to improve their international competitiveness.

3.05 The estimated sectoral allocation is as follows:

	<u>Amount</u>	<u>% of Total</u>
	(\$ mn)	
Essential Economic Infrastructure	35.0	21.0
Social Infrastructure	69.0	41.2
Lines of Credit	35.0	21.0
Technical Assistance	18.0	10.8
Unallocated	<u>10.0</u>	<u>-</u>
	<u>167.0</u>	<u>100.0</u>
 <u>Direct Poverty Alleviation</u>		
BNTF	15.0	
Skills Training	5.0	
Rural Electrification	2.0	
Industrial Estates	8.0	
SSEDP	5.0	
Housing Sites and Services	2.0	
Agriculture	<u>5.0</u>	
Total	<u>43.0</u>	

IV. Country Groupings, Terms and Allocation

4.01 The following country grouping of BMCs for purposes of SDF 3 will apply:

<u>GROUP 1</u>	<u>GROUP 2</u>	<u>GROUP 3</u>	<u>GROUP 4</u>
Bahamas	Anguilla	Belize	Guyana
Barbados	Antigua and Barbuda	Dominica	
Cayman Islands	British Virgin Islands	Grenada	
Trinidad and Tobago		Jamaica	
		Montserrat*	
		St. Kitts and Nevis	
		St. Lucia	
		St. Vincent and the Grenadines	
		Turks and Caicos Is.	

4.02 The terms for lending and allocation for capital projects during this cycle are as follows:

* Contributors agreed that Montserrat, which was evaluated as a Group 2 country should, for purposes of SDF 3, be treated as a Group 3 country in recognition of the recent widespread ravages inflicted on the economy by Hurricane Hugo.

<u>Group</u>	<u>Countries</u>	<u>Amount of Resources (\$ mn)</u>	<u>Interest Rate (%)</u>	<u>Term Grace Period Term (Years)</u>	<u>Including Grace (Years)</u>	<u>Grant Element %</u>
1	Bahamas, Barbados, Cayman Islands, Trinidad and Tobago	2.5	5.0	5.0	20.0	34.3
2	Anguilla, Antigua and Barbuda, British Virgin Islands	10.0	4.0	7.0	30.0	48.3
3	Belize, Jamaica, Other OECS, Turks and Caicos Is.	79.0	2.0	10.0	40.0	70.7
4	Guyana	30.0	2.0	10.0	40.0	70.7
	Regional	<u>10.0</u>	(Determined on a case-by-case basis)			
Total/Average		<u>131.5</u>	<u>2.4</u>	<u>9.3</u>	<u>37.4</u>	<u>65.5</u>

4.03 The following is an indicative allocation of SDF resources by country grouping and programme:

<u>Item</u>	<u>Capital Projects</u>	<u>Technical Assistance Loans/Grants</u>	<u>BNTF Grants</u>	<u>SSEDP</u>	<u>Total</u>	<u>% of Total</u>
(\$ mn)						
<u>GROUP 1</u>						
Bahamas, Barbados, Cayman Islands, Trinidad and Tobago	-	5.0	-	-	5.0	3.0
<u>GROUP 2</u>						
Anguilla, Antigua and Barbuda, British Virgin Islands	10.0	2.0	-	-	12.0	7.8
<u>GROUP 3</u>						
Belize, Jamaica Other OECS, Turks and Caicos Islands	79.0	6.0	10.0	-	95.0	58.7
<u>GROUP 4</u>						
Guyana	30.0	3.5	5.0	-	38.5	21.6
<u>Regional</u>	-	1.5	-	-	1.5	9.2
UNALLOCATED	<u>10.0</u>	-	-	<u>5.0</u>	<u>15.0</u>	<u>8.9</u>
	<u>129.0</u>	<u>18.0</u>	<u>15.0</u>	<u>5.0</u>	<u>167.0</u>	<u>100.0</u>

V. Burden-Sharing and Pledges

5.01 Contributors agreed that the non-regional members and The Netherlands would take the leading position in the burden-sharing arrangement. However, the regional members would be expected to make pledges in convertible currency and those BMCs which were in arrears on contributions would take steps to clear them.

VI. Method of Valuing Contributions

Mode of Payment

6.01 Contributors agreed that valuation of pledges made in currencies other than United States dollars (US\$) would generally follow the practice adopted by other international financial institutions, i.e. valuation would be based on the average of the daily rates existing during the six months ending April 1991.

VII. Liquidity of Fund

7.01 Contributors agreed that the Fund's liquidity should be maintained at a level approximately equal to expected disbursements over the six-monthly periods, January to June and July to December.

VIII. Projected Drawdown of Contributions to SDF

8.01 The estimated cash drawdown/encashment of notes for the years 1991-95 is as follows:

	<u>1991</u>	<u>1992</u>	<u>1993</u> (\$ mn)	<u>1994</u>	<u>1995</u>
Projected Disbursements	35.6	33.7	33.9	35.4	35.9
Projected Liquidity at end of year	17.0	17.0	17.7	18.0	18.0
Projected Drawdown	26.0	15.0	16.0	16.5	16.0

IX. Procurement

9.01 Contributors agreed that during SDF 3, procurement shall be in accordance with Sections 4.6.1 and 4.6.3 of the Rules for the SDF, respectively: "In general, procurement of goods and services for projects financed from the resources shall be open to member countries of CDB and substantial contributors"; and that "Substantial Contributors shall be those whose contributions are accepted as substantial at the Negotiation Meetings and/or the Annual Meeting of Contributors having regard to the amounts of such contributions".

9.02 Contributors agreed that non-member contributors whose contributions were accepted as substantial would be eligible for procurement in respect of projects approved during the particular cycle, including SDF 2 cycle, in which such contributions were made.

Substantial Contributors

9.03 Contributors agreed that substantial contributors during SDF 3, in accordance with Section 4.6.3 of the Rules for the SDF, shall be:

- (i) the Kingdom of The Netherlands; and
- (ii) such other contributors to SDF 3 who shall be deemed by the Annual Meeting of Contributors to satisfy internationally acceptable equitable burden-sharing standards.

Information to, and Participation of,
Non-Member Contributors in the Work of CDB

9.04 CDB's Management recognises that special difficulties might be experienced in understanding SDF data by contributors who are not members of CDB. Consequently, CDB will try to ensure that contributors are kept informed of all important developments in the operations of CDB and of all areas where SDF resources are being utilised. This will cover providing such contributors with appraisal documentation for projects requiring SDF resources and Board Papers relating to financial policies.

9.05 Additionally, Section 2.1.3 of the Rules for the SDF, will guide the participation of non-members in the work of CDB: "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 where projects, policies and other matters related to the SDF are being considered".

