

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND

RESOLUTION OF CONTRIBUTORS TO SDF II
WITH REPORT OF MEETINGS OF CONTRIBUTORS
ON MARCH 18, MAY 12 AND SEPTEMBER 21 AND 22, 1987
AS SCHEDULE 3

ADOPTED SEPTEMBER 22, 1987

SEPTEMBER 1987

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

WHEREAS:

The Board of Directors of the Caribbean Development Bank (hereafter called 'the Bank') at its One Hundred and Eleventh Meeting, held on May 11, 1987, 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, 1988, 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 have the respective meanings set forth therein, except that the term "Contribution Cycle" means the period of four years commencing January 1, 1988 and ending December 31, 1991, 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 in Schedule 1 to this Resolution;
- (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 in Schedule 1 to this Resolution;

- (vi) "qualified contribution" means a contribution as defined in paragraph 3 (d) of this Resolution;
- (vii) "Special Development Fund II" means the replenishment of the SDF 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 Special Development Fund II for inclusion in the SDF 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 I 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 Special Development Fund II 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, 1987 or such later date as may be determined by the Board of Directors of the Bank, each Contributor listed in Schedule I 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 Special Development Fund II the amount of its contribution in the applicable currency of obligation as set forth in Schedule I 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 Special Development Fund II 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 Special Development Fund II 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 as indicated and to the extent set out in Schedule 1 to this Resolution or, in the case of an additional Contribution, in the Contribution Agreement in respect thereof.

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 draw downs 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 percent (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 Special Development Fund II, 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 Special Development Fund II

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

SCHEDULE 1

CARIBBEAN DEVELOPMENT BANK
CONTRIBUTIONS TO SPECIAL DEVELOPMENT FUND II

Contributors	Currency of Obligation	Proposed Contributions '000s		Manner in which Con- tributions are payable (Cash % Notes %)
		Amount in Currency of Obligation*	Amount in US\$'000	
<u>Regional Members</u>				
1. Jamaica	US\$	1,400,000	1,400	
2. Trinidad and Tobago	US\$	2,500,000	2,500	
3. Commonwealth of the Bahamas	US\$	1,400,000	1,400	
4. Guyana	US\$	1,400,000	1,400	
5. Barbados	US\$	1,400,000	1,400	
6. Belize	US\$	250,000	250	
7. Dominica	US\$	250,000	250	
8. Grenada	US\$	250,000	250	
9. St. Kitts and Nevis	US\$	250,000	250	
10. St. Lucia	US\$	250,000	250	
11. St. Vincent and the Grenadines	US\$	262,500	262.5	
12. Cayman Islands	US\$	100,000	100	
13. Anguilla	US\$	100,000	100	
14. Venezuela	Bolivar	48,308,329	3,333.3	
15. Colombia	US\$	3,333,333	3,333.3	
<u>Total - Regional Members</u>			16,479.1	
<u>Non-Regional Members</u>				
1. Canada	Canadian dollar	19,922,550	15,000	
2. United Kingdom	Pound Sterling	9,252,510	15,000	
3. France	French Franc	60,863,800	10,000	
<u>Total - Non-Regional Members</u>			40,000	
<u>Non-Members</u>				
1. Italy	Lira	13,139,600,000	10,000	
2. The Netherlands	Guilder	10,288,900	5,000	
3. Federal Republic of Germany	Deutschemark	18,249,400	10,000	
<u>Total - Non-Members</u>			25,000	
<u>TOTAL PLEDGES UNDER SDF II</u>			81,479.1	
Catchup by FRG	Deutschemark	29,199,000	16,000	
<u>TOTAL</u>			97,479.1	
B/F by Italy from SDF I	Lira	31,412,787,000	21,000	
<u>GRAND TOTAL</u>			118,479.1	

* At average daily exchange rates existing during the six-month period ending August 1987:

viz: Canadian dollar	1.32817	Netherlands Guilder	2.05778
French Franc	6.08638	Pound Sterling	0.616834
Italian Lira	1313.96	Deutschemark	1.82494
		Bolivar	14.4925

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
Willey
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 Special Development Fund II^{1/} of the Caribbean Development Bank (CDB) an amount of (the equivalent of) 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 Special Development Fund II adopted at the Meeting of Contributors on September 22, 1987.

^{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 above-mentioned Resolutions 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,

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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 SPECIAL DEVELOPMENT FUND II
HELD ON MARCH 18, MAY 12 AND SEPTEMBER 21 AND 22, 1987

At the Meetings of Contributors held in Barbados on March 18, 1987, in Grenada on May 12, and in Barbados on September 21 and 22, 1987 it was agreed that the following considerations should guide the administration of the resources made available for the second contribution cycle of the Special Development Fund (SDF II):

I. Role of CDB in the Region

1.1 Contributors acknowledged the extensive work on CDB's role already done in CDB during 1985/86 and presented to CDB's Board of Governors and Directors in a document entitled "CDB's Future Role 1986-1990". Consequently, the contributors agreed that in recognition of the increasing economic difficulties facing the regional borrowing member countries and the reduced access of some of these countries to external funding, CDB would need to increase, significantly, the level and scope of its operations - especially its lending and technical assistance operations under the Special Development Fund (SDF).

II. Overall Financial Assistance Programme

2.1 Contributors agreed to the shifting of the Cayman Islands from Group I to Group II and the BVI from Group I to Group III and also agreed to the following utilisation of SDF II resources during the period 1988-91, subject to periodic review of these allocations by the Board of Directors:

	<u>SDF LOANS</u>	<u>TA GRANTS</u>	<u>BHN GRANTS</u>	<u>TOTAL</u>	<u>% OF TOTAL</u>
	(US\$ million)				
Group I: (Bahamas, Barbados, Trinidad and Tobago)	11.7	1.5	-	13.2	9.7
Group II: (Cayman Islands, Jamaica)	28.0	1.5	-	29.5	21.6
Group III: (OECS, Anguilla, Belize, BVI, Turks and Caicos Islands)	53.7	6.0	8.0	67.7	49.5
Group IV: (Guyana)	<u>23.3</u>	<u>3.0</u>	<u>-</u>	<u>26.3</u>	<u>19.2</u>
	<u>116.7</u>	<u>12.0</u>	<u>8.0</u>	<u>136.7</u>	<u>100.0</u>

2.2 The assistance programme is expected to be sourced as follows:

	<u>LOANS</u>	<u>TA GRANTS</u>	<u>BHN GRANTS</u>	<u>TOTAL</u>
	\$ million			
New Pledges	104.4	10.0	8.0	122.4
Recycled Repayments	8.0	-	-	8.0
Net Income	<u>4.3</u>	<u>2.0</u>	<u>-</u>	<u>6.3</u>
Total	<u>116.7</u>	<u>12.0</u>	<u>8.0</u>	<u>136.7</u>

2.3 Given the relative scarcity of financing for technical assistance programmes, the choice facing contributors was one of deciding whether funding should be drawn directly from SDF contributions or from the SDF net income or some mix of the two sources. Contributors agreed that an appropriation of up to \$10 million shall be made from the contributions to provide grant financing for technical assistance.

2.4 Contributors agreed that in its financing operations CDB should give priority attention to the financing of employment-intensive projects geared towards benefitting the poorest groups in the poorest borrowing member countries. To support this thrust, contributors agreed that an appropriation of up to \$8 million shall be made from the contributions for a proposed \$20 million Basic Needs Grant Programme for Group III countries on condition that USAID, or some other donor, matches the appropriations made from SDF II and beneficiary countries counterpart contributions.

III. Burden-Sharing

3.1 Contributors agreed that burden-sharing should be on a fair and equitable basis, having regard to the relative economic situation of contributors, level of shareholding in CDB, and other relevant considerations. One Contributor, moreover, highlighted the need for CDB to specify an appropriate set of criteria for determining burden-sharing under the SDF.

3.2 Financing of SDF II operations is expected to come from the following sources:

	<u>US\$ million</u>
Regional borrowing members	10.4
Regional non-borrowing members	10.0
Extra-regional members	40.0
Extra-regional non-members who have been invited into CDB membership (Italy and the Federal Republic of Germany)	57.0*
Netherlands	5.0
Internally generated funds and reflows	<u>14.3</u>
TOTAL	<u>136.7</u>

* Contributions by Italy and the Federal Republic of Germany to be formalised after admission to membership in CDB and are broken down as follows:

	<u>Italy</u>	<u>Federal Republic of Germany</u>
	(US\$ million)	
"Catch up" associated with Membership	16.0 (from SDF I)	16.0
Already Pledged to SDF I	5.0	-
Pledge to SDF II	<u>10.0</u>	<u>10.0</u>
Total	<u>31.0</u>	<u>26.0</u>

3.3 Contributors agreed with the above structure of burden-sharing. Some contributors drew attention to the possible need for the OECD member countries of CDB to increase their contributions in order to increase the financing available to address the severe economic problems affecting a number of regional borrowing members.

IV. Technical Assistance

4.1 Contributors agreed that there is a critical need for technical assistance among the less developed borrowing member countries of CDB in order to support even the current levels of loan operations.

4.2 Moreover, Contributors recognised that, in the light of the challenges affecting the economic performance of a number of CDB's borrowing member countries, there is an urgent need for CDB to provide economic advice and assistance in formulating and implementing programmes for structural adjustment. This cooperation between CDB and the borrowing member countries is expected to increase the absorptive capacity of the economies as well as the overall efficiency and effectiveness of national economic management.

V. Other Programming Considerations

Concessionalty of Lending

5.1 Contributors agreed that CDB should seek, as far as possible, to ensure that the level of SDF concessionalty, especially for Group III countries, is at least maintained at current levels during SDF II or at best increased. CDB should, therefore, review the target level of SDF net income in order to increase the concessionalty of SDF II project lending but consistent with fund viability. The terms of lending would therefore be as follows, subject to any changes by the Board of Directors in accordance with Rules 4.4.5 and 4.4.6 of the Rules for the SDF.

<u>Group</u>	<u>Amt. of Resources</u> <u>\$ million</u>	<u>Interest Rate</u> <u>(%)</u>	<u>Grace Period</u> <u>(years)</u>	<u>Term Incl. Grace</u> <u>(years)</u>	<u>Grant Element</u> <u>(%)</u>
I	11.7	5.0	5	20	34.3
II	28.0	4.0	7	30	48.3
III	53.7	2.0	10	40	70.7
IV	23.3	2.0	10	40	70.7
Total/Average	116.7	2.8	8.8	35.6	61.2

5.2 For purposes of consistency between lending for capital projects and technical assistance loans contributors agreed that the same interest rates should apply but that the relevant grace and repayment periods should be up to the maximum possible and determined on a case-by-case basis.

Structural Adjustment Lending

5.3 Contributors agreed that about 15% of the resources available under SDF II should be used to finance structural adjustment lending programmes. These kinds of lending operations should normally be done on a co-financing basis with the World Bank and/or the International Monetary Fund.

Sector Lending

5.4 Contributors agreed that CDB should continue to make sector loans but should informally consult with World Bank staff in the preparation and design of such loans.

Environmental Implications of SDF Financing

5.5 Contributors agreed that, in the preparation and appraisal of each project financed from the SDF, CDB should ensure that an environmental impact analysis is undertaken, where necessary, and included in the appraisal report on the project.

VI. Operational Issues

Procurement

6.1 Contributors agreed that during SDF II, in accordance with Rules 4.6.1 and 4.6.3 of the Rules for the SDF; "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 relevant Negotiations Meeting and at the Annual Meeting of Contributors having regard to the amounts of such Contributions".

6.2 In order to assist the relevant Negotiation Meeting or Annual Meeting of Contributors in determining whether or not a particular contribution from a non-member is substantial, CDB's Management agreed to provide macro-economic and other information on such aggregates as size of GNP, per capita income, condition of the balance of payments, IMF quota contributions, etc., for use by the meeting.

6.3 Contributors agreed that the duration of procurement eligibility for contributions made in any Contribution Cycle would be linked to the original flow of contributions, but not to re-flows.

Substantial Contributors

6.4 Contributors agreed that substantial contributors during SDF II, in accordance with Rule 4.6.3 of the Rules for the SDF, shall be:

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

Liquidity of Fund

6.5 Except with the specific approval of the Board of Directors of CDB and the Contributors to the SDF, the amount of SDF liquidity shall be maintained at an approximate level of US\$19 million, which was the amount previously agreed to by the Board of Directors of CDB and Contributors to the SDF.

Provisioning

6.6 Contributors agreed that, in order to ensure consistency of treatment and conformity with generally acceptable accounting principles, the non-accruing and provisioning policies which are applied to CDB's other resources would also be applied to the SDF.

Method of Valuing Contributions

6.7 Contributors agreed that valuation of pledges made in currencies other than US dollars 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 August 1987.

Disbursements

6.8 Contributors accepted the view that annual disbursements during SDF II are likely to be significantly higher than the levels achieved during the first cycle of the SDF. This view is based on CDB's experience in previous lending operations, where the pattern of loan disbursements was observed to be such that over 70% of disbursements would occur during the second to fourth year after loan approval. The operation of this lag-system is expected to sharply increase annual disbursements during SDF II. Moreover, SDF funding will take the place of other special funds which are now being phased out and are not likely to be replenished.

Cooperation with the World Bank and the Inter-American Development Bank (IDB)

6.9 Contributors agreed that it would be useful to the development of CDB that it maintain technical cooperation links with the World Bank and the IDB. This cooperation would include participation in training programmes and joint missions in project appraisal with both institutions.

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

6.10 CDB's Management recognises that special difficulties might be experienced in understanding SDF data by contributors which are not members of CDB. Consequently, CDB would seek to ensure that such contributors be kept informed of all important developments in the operations of CDB and of all areas where SDF resources are being utilised. This would cover the provision to such contributors of both project documents and Board Papers relating to financial policies.

6.11 In addition, in accordance with Rule 2.1.3 of the Rules for the SDF, "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".

6.12 The following countries are still expected to make pledges to SDF II:

	<u>\$'000</u>
Antigua and Barbuda	250
British Virgin Islands	100
Montserrat	100
Turks and Caicos Islands	100
Mexico	3,333.3