

VOLUME 7

SECTION 6



**Development Bank
of Jamaica Limited**

Facilitating economic development

**11a - 15 Oxford Road
Kingston 5**

TABLE OF CONTENT

CHAPTER 1 1

DEVELOPMENT BANK OF JAMAICA

CHAPTER 2 5

ACCESS TO LOANS

CHAPTER 3 8

THE APPLICATION PROCESS

CHAPTER 4 11

NON-CORE ACTIVITIES

CHAPTER 5 13

CORPORATE DATA

CHAPTER I

DEVELOPMENT BANK OF JAMAICA

1.0 BACKGROUND

The Development Bank of Jamaica (DBJ) was established on April 1, 2000, resulting from the merger between two wholly-owned Government of Jamaica institutions, namely the Agricultural Credit Bank (ACB) and the National Development Bank of Jamaica Limited (NDB). Both the ACB and NDB were founded in 1981.

The Bank falls under the purview of the Ministry of Finance and Planning and its Board members are appointed by the Ministry.

Since its establishment as a merged institution, the DBJ has been a pivotal player in facilitating investment and growth within the productive sectors of the economy. In attempting to fulfill its mandate, the Bank has taken a proactive and innovative approach to development banking by encompassing special projects and programmes which are aligned to the Government's priorities and support overall national development. In spite of this expanded role, the DBJ's role as the main provider of development funding to the productive sectors remains intact and unaffected.

1.0.1 Role of the Bank

The Bank provides the following:

- i Development financing to the productive sectors primarily in the areas of agriculture, agro-processing, manufacturing, information processing, tourism, services and mining and quarrying.
- ii Credit principally through a wide range of Approved Financial Institutions (AFIs), comprising Commercial and Merchant Banks, People's Cooperative Banks, Credit Unions and private sector development finance institutions. These in turn on-lend to the agricultural, manufacturing, tourism, agro-processing, quarrying and mining and services sectors.
- iii Plays a critical role in non-credit activities principally with respect to the upgrading of the People's Cooperative Banks as well as providing assistance to a number of sub-sectors which have faced difficulties.

The five-year total (2000 – 2005) commitments since inception amounted to \$ 9.57 billion while disbursements amounted to \$8.05 billion.

I.1 MISSION STATEMENT

The Development Bank of Jamaica Limited aims to be the premier development finance institution in Jamaica, by mobilising resources and providing access to a menu of affordable loan products and non-lending development services to the agricultural, agro-industrial, information processing, manufacturing, mining, tourism and other industries and services within the productive sectors of the economy. The Bank's efforts are dedicated towards the facilitation of investment in the country's productive sectors, in order to stimulate sustainable national economic growth and development.

I.2 OBJECTIVES

In order to fulfill its mission, the DBJ will endeavour to achieve the following objectives:

- i foster the economic development of Jamaica through a programme of wealth creation;
- ii contribute to employment generation and foreign exchange earnings by assisting in the establishment, expansion, diversification and modernisation of business enterprises;
- iii facilitate the widening of the country's entrepreneurial base;
- iv assist the Government in financing infrastructural and other development programmes;
- v mobilise foreign and local funds for on-lending to the productive sectors.

I.3 OPERATION POLICY

The DBJ does not lend directly to the promoter of the project. Instead, funds are channelled through Approved Financial Institutions (AFIs) which will provide the initial credit evaluation and the loan supervision. These AFIs include Commercial Banks, Merchant Banks, the Credit Union League, development financial institutions and People's Cooperative Banks.

Additionally the DBJ partners with EXIM Bank, the Jamaica Exporters Association, the National Investment Bank of Jamaica, and the Jamaica Business Development Centre to provide funding for projects.

1.4 FUNCTION & ROLE OF APPROVED FINANCIAL INSTITUTIONS (AFIs)

The following are the functions to be performed by the AFI:

- i Receive applications from promoters of projects/prospective borrower, complete with Business Plan and three years' audited financial statements (where applicable).
- ii Provide up-to-date in-house financials for DBJ's review.
- iii Submit approved applications to DBJ for consideration.
- iv Receive loans from the DBJ for approved projects subject to terms and conditions specified by DBJ in a commitment letter.
- v Receive scheduled payments in Jamaican dollars or United States dollars, as agreed, from promoters.
- vi Make payment of principal and interest on loans to DBJ as agreed in loan schedule and in the currency agreed between the AFI and DBJ.
- vii Supervise projects to which loans have been made.
- viii Manage loan account through regular visits to the projects and liaison with promoter.

1.5 PARTICIPATING FINANCIAL INSTITUTIONS (2005)

1.5.1 Commercial Banks

Bank of Nova Scotia (Jamaica) Ltd.
 First Caribbean International Bank Ltd. (formerly CIBC Jamaica Ltd.)
 Citibank N.A.
 National Commercial Bank Jamaica Ltd.
 First Global Bank Ltd. (formerly Trafalgar Commercial Bank Ltd.)
 RBTT Jamaica Ltd. (formerly Union Bank Jamaica Ltd.)

1.5.2 Merchant Banks

Capital & Credit Merchant Bank Ltd.
 First Caribbean International Trust and Merchant Bank (Jamaica) Ltd.
 DB&G Merchant Bank Ltd.
 George & Branday Ltd. (now merged with First Global Bank Ltd.)

International Trust and Merchant Bank (now UGI Finance Ltd. – to be confirmed)

Pan Caribbean Financial Services (formerly Trafalgar Development Bank Ltd and Manufacturer's Sigma Merchant Ltd.)

MF&G Trust & Finance Ltd.

Pan Caribbean Merchant Bank Ltd.

CitiMerchant Bank Ltd.

1.5.3 Other Approved Financial Institutions (AFIs)

Jamaica Cooperative Credit Union League

National Development Foundation of Jamaica

Jamaica Agricultural Development Foundation

National Investment Bank of Jamaica Ltd.

1.5.4 National People's Cooperative Bank Head Office

47 Manchester Road,

Mandeville, Manchester

Telephone: (876) 962-5360

Fax: (876) 961-0547

Email: umpcbank@hotmail.com

CHAPTER 2

ACCESS TO LOANS

2.0 CRITERIA FOR LOANS

The DBJ will approve loans to business entities operating in Jamaica and engaged in viable businesses in the industrial, agricultural, agro-industrial, manufacturing, information processing, mining, tourism and other industries and services sectors.

2.0.1 Projects Eligible for Financing

Loans will be approved for the following types of projects:

- i Construction of structures (for productive purposes)
- ii Establishment of crops and livestock enterprises
- iii Expansion or modification of structures
- iv Purchase of machinery and equipment
- v Purchase of moveable fixed assets
- vi Permanent working capital (up to a maximum of 20% of the loan amount)
- vii Rehabilitation of existing enterprises
- viii Retooling of equipment
- ix Renovation and refurbishing of hotels
- x Energy conservation

2.0.2 Projects Excluded from Financing

The following are excluded for financing –

- i Land acquisition
- ii Business acquisition

iii Refinancing of existing indebtedness.

2.1 LOANS

Loans to small farmers are channelled principally through Peoples Cooperative (PC Banks), which are normally permitted to lend a maximum of \$500,000 from the DBJ's resources. Loans above \$500,000 are channelled principally through Commercial and Merchant Banks. However, for certain enterprises such as broiler and inland fish production, the PCBs are allowed to lend above this limit subject to approval by the DBJ Board of Directors.

The DBJ's loans are denominated in Jamaican as well as in United States Dollars, the latter being provided for export-oriented enterprises which can demonstrate the capability to repay such loans in foreign currency.

Sub-borrowers (farmers, promoters) seeking access to the DBJ's resources are required to contact their bankers as the latter assume the credit risk and therefore determine whether or not the potential sub-borrower meet their collateral and other requirements for funding. Project proposals being submitted to the DBJ for financing are generally appraised to ensure that they meet certain technical, financial, managerial, marketing and economic eligibility criteria.

2.1.1 Debt:Equity Ratio

The DBJ's debt:equity requirement is 70:30. That is to say, borrowers can get up 70 percent of the cost of the project to borrow.

2.1.2 Loan Repayment Period

This depends on the enterprise, but generally:

- i Long term enterprises, for example coffee, may get up to 12 years for repayment with a grace period of up to four years (on principal repayments). For industrial and tourism projects, the maximum loan period is 10 years with a grace period of three years (on principal repayment).
- ii Medium term enterprises may get a repayment period of up to seven years with a grace period of up to two years.
- iii Short term enterprises may get a repayment period of up to three years with a grace period of up to one year.

2.1.3 Collateral Requirements

The AFI which is assuming the risk will determine the type of collateral it will accept.

2.2 ELIGIBILITY CONDITIONS

To obtain a DBJ loan approval, the project must meet the following criteria:

- i Be financially viable
- ii Be technically feasible
- iii Be competently managed or capable of being managed efficiently
- iv Not have less than 75% Jamaican ownership of shares in company borrowing DBJ funds
- v Promoter's contribution of a minimum 30% of the project cost is in place
- vi An appropriate marketing plan is in place
- vii Reasonable likelihood of profits as evidenced by the internal rate of return
- viii Internal Rate of Return (IRR) & a positive Net Present Value (NPV) of the project, in the AFI's Cash Flow Analysis
- ix Positive contribution to the economic development of the country in terms of:
 - Employment generation
 - Foreign exchange earning or foreign exchange saving capacity
 - Promotion of new businesses and expansion of existing for economic growth
 - Forward and backward linkages with other sectors
 - High utilisation of local raw materials, especially usage of local agricultural - output
 - Energy savings
 - Environmentally friendly

CHAPTER 3

THE APPLICATION PROCESS

3.0 BUSINESS PLAN

The sub-borrower/promoter should first visit the selected AFI and discuss the project proposal, which should include a business plan (see below what this should include) and indicate his interest in accessing DBJ funds. A Business Plan or Project Proposal should then be submitted for evaluation by both the AFI and the DBJ which must include the following:

- i Background information
- ii Company's ownership structure
- iii Directors, shareholders, shareholding
- iv General description of the project
- v Financial plan covering
 - total project cost
 - amount to be financed
- vi Management profiles
- vii Proposed sources, export/expansion plan
- viii Industry and Marketing analysis
- ix Financial projections i.e. cash flows for life of loan with detailed first year
- x Assumptions to cash flow projections

3.0.1 Evaluation

The promoter must also complete and attach the DBJ checklist to the loan application submitted to the AFI/DBJ. (See Appendix I for Attachment Checklist).

The AFI will evaluate the financial strength and credit worthiness of the promoter(s) and determine its willingness to extend the requested credit.

The AFI will establish the terms, maturity and security of collateral requirements to satisfy its credit determination.

Upon favourable assessment, the AFI then submits a copy of the Business Plan along with an application form to the DBJ for approval. (See Appendix 2 for Application Form).

3.0.2 Authorisation and Commitment

After approval by DBJ, an authorisation and commitment by DBJ will be issued to the AFI. The commitment letter includes:

- i The maximum amount of credit DBJ will make available and the duration of the loan;
- ii The effective period of the commitment during which the first disbursement of DBJ funds must be made (for example, six months to commence disbursement);
- iii The duration of any grace period;
- iv The terms of repayment of the loan;
- v The conditions established by the DBJ;
- vi The amount of the commitment fee
- vii The interest rate and any other charges.

The DBJ will suspend the annual commitment fee for the second and subsequent years if the funds are drawn down as approved. However, if the client decides to cancel or not utilise the balance of the loan, the commitment fee will be charged. Similarly, if the funds are not drawn down as scheduled, the commitment fee will be charged.

The AFI is required to accept DBJ's commitment in writing within thirty days of its issuance. As a condition of acceptance, the AFI must remit the required commitment fee plus GCT.

The DBJ then disburses the funds to the AFI for on-lending.

3.1 INTEREST RATE

For Jamaican Dollar loans, the current interest rate to the Approved Financial Institutions (AFIs) is 10 percent with a capped spread at three (3) percent. This means that the rate to the project sponsor should not exceed 13 percent. Interest rates are currently charged on the reducing balance and fixed for the life of the loan. Interest rates are also based on a 365 days calculation.

For US Dollar denominated loans, money is lent at an interest rate of 8.5 percent

to the AFI and they add a spread of 2 to 3 percent.

Interest arrears attract a 2 1/2% per annum penalty above the effective rate of interest. For example, a rate of 9 1/2 % interest will be charged 12%.

3.1.1 Pre-Payment Penalties

Pre-Payment penalties are as follows:

- i 3% per annum is charged if the loan is prepaid.
- ii Except for outstanding NDB loans, 3% on outstanding balance plus 25% calculated on the reducing balance (for each year of the remaining life of the loan)

A waiver is not automatic; it may be considered and given on a case by case basis.

3.1.2 Early Repayment

Pre-payment to AFI of monies on-lent to sub-borrower must be repaid to DBJ within 14 days of such payment (together with interest) to the date of pre-payment.

3.2 REQUIREMENTS FOR DISBURSEMENT

The following are the requirements for Disbursement under the terms and conditions of the general agreement:

- i The AFI must disburse all funds received from DBJ within 30 days to the Sub-borrower;
- ii Provide the DBJ with evidence of such disbursements.
- iii Supporting documentation needs to be provided by the sub-borrower to the AFI who will supply DBJ with copies to justify disbursed funds.

CHAPTER 4

NON-CORE ACTIVITIES

4.0 DEVELOPMENTAL PROJECTS

In keeping with its objective to foster Jamaica's economic development and assist the Government in financing infrastructural and other development programmes, the Bank under the dynamic leadership of its Managing Director, has taken a proactive and innovative approach to development banking by encompassing special projects and programmes which are aligned to the Government's priorities and which support overall national development. The provision of funding for infrastructure development is the case with many development financial institutions throughout the world.

4.1 HIGHWAY 2000

The construction of Highway 2000 was predicated on the notion that infrastructure development, particularly road construction, will act as a major catalyst for economic growth. The project involves the construction of a 233 kilometre-long, four-lane restricted access toll motorway that will connect Kingston to Montego Bay and Ocho Rios.

The project is primarily a private sector-led development with 72.5% of the financing coming from the private sector. The first phase of the project which costs US\$390 million, is being partially funded by the issuance of a \$3.6 billion infrastructure bond that was fully subscribed in December 2001.



Vineyards Toll Booth



4.2 HARMONY COVE

Harmony Cove is an exquisite 1,400-acre resort development planned for the Harmony Hall property on the northern coast of Jamaica. It will comprise estate villas, homes, home sites, resort accommodation and boutique hotels for guest and residents. Additionally, the development will include exceptional recreational activities including championship golf courses, tennis and a world-class spa. The concept follows a growing trend worldwide for resort colonies.

The property is owned by Harmonisation Limited a company jointly owned by the Development Bank of Jamaica and the National Housing Trust. A master plan for the development of the property has already been prepared. The intention is to sell parcels of land and the development plans to investors who in turn will transform the property into an exquisite resort.



4.3 JAMAICA LIFESTYLE VILLAGES

The Development Bank of Jamaica and the National Housing Trust have acquired six of the most spectacular undeveloped parcels of land in Jamaica with the aim of establishing exclusive communities for the sophisticated retirees and senior citizens, both local and foreign individuals.. Modelled much like North-American retirement communities, the exclusive gated communities, called 'Jamaica Lifestyle Villages', are intended to offer the resident a range of facilities for complete relaxation and recreation, health/skilled nursing care and homes designed and built to the very highest standards of style and convenience. The project is designed to be a public-private sector partnership.

The development of the concept of retirement communities is intended to encourage the return of Jamaicans as well as bring significant re-investments to the country.

Plans are being developed for properties in St. James, St. Catherine, St. Thomas, St. Ann, St. Mary and Manchester.



4.4 FALMOUTH REDEVELOPMENT

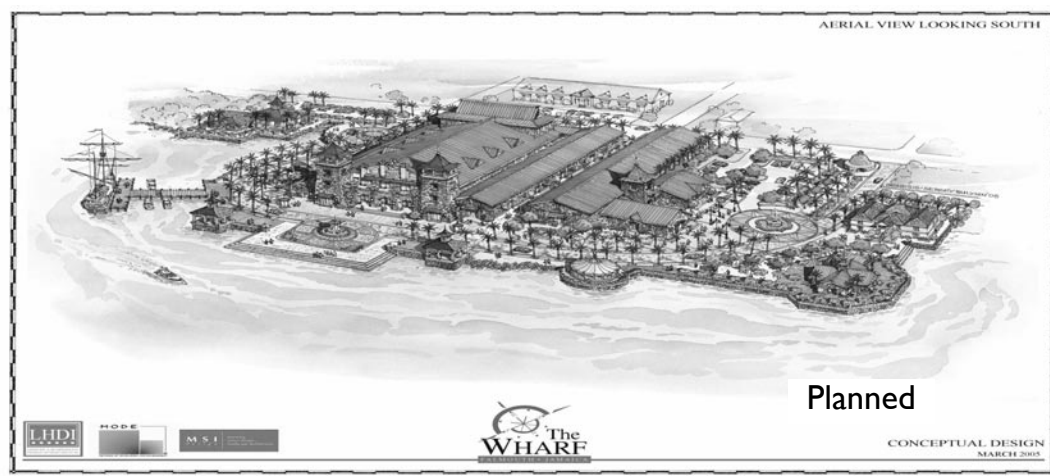
Following on the GOJ/Private Sector Retreat in March 2003, the Bank was designated the agency to oversee a Music and Heritage Committee which would see to the restoration of Falmouth as a signature heritage tourist attraction. The intention is to convert Central and Hampden Wharves into major attractions, making them the centerpiece of Falmouth. The restoration will allow Jamaica to tap into a whole new tourism market – heritage tourism – with the intention of enhancing Jamaica's tourism product offering.

The Wharf Limited, a company fully owned by DBJ is now spearheading the development.

Plans are also advanced for the lease of the Barrett House property, formally the home of one of England's most celebrated poets, Elizabeth Barrett-Browning as well as for the concept for development of a world-class museum in Falmouth.



Now



4.5 JAMAICA MUSIC REVUE

Also following from the GOJ/Private Sector Retreat was a proposal for a major musical cultural extravaganza aimed at enhancing the tourism product. The intention is that this will be a 100-minute spectacular, theatrical showcasing Jamaica's rich tradition in music. The world-class theatre planned for the redeveloped Falmouth wharves is intended to be the home of Jamaica Music Revue.



CHAPTER 5

CORPORATE DATA

5.0 REGISTERED OFFICE

11a-15 Oxford Road
Kingston 5
Tel: 929-4010-17, 926-8452, 926-1477
Fax: 929-6055

5.1 ZONE OFFICE

Central Zone:
Denbigh, May Pen
Tel: 902-8377

5.2 EXTERNAL AUDITORS

PricewaterhouseCoopers

5.3 BANKERS

National Commercial Bank Jamaica Ltd.
Bank of Nova Scotia Jamaica Ltd.
Citibank, N.A.
Bank of Jamaica

5.4 ATTORNEYS

Myers, Fletcher & Gordon
Livingston, Alexander & Levy
Perkins, Grant, Stewart, Phillips & Co.
Woodham, Pickersgill and Dowding
Vaccianna & Whittingham

Appendix I**ATTACHMENT CHECKLIST**

(To accompany loan application submitted to AFI/DBJ)

Attached

Business Plan	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Export Expansion Plan	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Certified Copies of Memo & Articles of Association	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Audited Financial Statements	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Financial Projections	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Management Profiles	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Evidence of Peril Insurance for Project	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Valuation Reports	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Letter from Commercial Bank indicating willingness to provide guarantee in what amount	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Other (list) _____

Appendix 2

DEVELOPMENT BANK OF JAMAICA LIMITED
LOAN APPLICATION

OFFICIAL
USE ONLY

BORROWER CODE

NAME OF BORROWER/INSTITUTION

ADDRESS: LINE 1

LINE 2

PARISH

Appl. No.

DATE OF APPLICATION

20

19

SUB-BORROWER PROFILE

SUB-BORROWER NO.

LAST NAME/COMPANY NAME

FIRST NAME

MIDDLE INITIAL

SEX

DATE OF BIRTH

DAY

MTH

YEAR

ADDRESS: LINE 1

LINE 2

LINE 3

TELEPHONE NUMBER

FINANCING REQUESTED FROM DBJ

\$

LOAN AMOUNT REQUESTED (JA\$)

\$

LOAN AMOUNT REQUIRED (US\$) - IF APPLICABLE

LOAN TERMS REQUESTED

GRACE PERIOD (MONTHS)

PERIOD OF LOAN (MONTHS)

LOCATION OF PROJECT SITE

SIZE OF HOLDING

HECTARES

PARISH

CAPACITY OF OPERATION

FOREIGN EXCHANGE TO BE GENERATED (US\$)

PERM. PERSONS TO BE EMPLOYED

TEMP. PERSONS TO BE EMPLOYED

PURPOSE OF LOAN	AMOUNTS																			
	JA\$										US\$ (IF APPLICABLE)									
DESCRIPTION																				

SECTORIAL ANALYSIS

SECTOR/SUB-SECTOR NAME	HECTARES/UNIT	PROJECT COST JA\$	PROJECT COST US\$ (IF APPLICABLE)	LOAN REQUESTED JA\$	LOAN REQUESTED (US\$) (IF APPLICABLE)
TOTALS					

NOTE: BUSINESS PLAN TO BE SUBMITTED ALONG WITH APPLICATION FORM

