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NOTE ON  
EIGHTH ANNUAL MEETING  
BOARD OF GOVERNORS  
CARIBBEAN INVESTMENT CORPORATION (CIC)

Prepared by  
S. St. A. Clarke

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NOTE ON EIGHTH ANNUAL MEETING BOARD OF GOVERNORS  
CARIBBEAN INVESTMENT CORPORATION (CIC)

(St. Lucia, 14 May 1982)

Although the agenda comprised the six items:

- Minutes of the Seventh Annual Meeting of the Board of Governors, 15 May 1981
- Annual Report together with Audited Financial Statements for year ending 31 December 1981
- Caribbean Investment Corporation's Future
- Date and Place of Ninth Annual Meeting
- Election of Chairman, Board of Governors for ensuing year
- Statements by Governors

it was evident even before the meeting convened that discussion would almost exclusively centre on the future of the CIC. Accordingly the first two items were adopted without much comment and attention focussed on Item 3.

The question of CIC's future has been under discussion for the past three years, since the liquidity problem developed and several firms in which CIC held equity had terminated operations. At the CIC seventh session, the Board of Governors decided that instead of acting immediately on the recommendation of the Board of Directors that the CIC be wound-up, they would explore the possibilities of the Private Sector taking a more positive role in its direction. The then alternative proposal was that the private sector:

- subscribe a cash minimum of US\$2 million to the equity by 30 April 1982;
- procure and deposit at least US\$12 million soft loan funds for on-lending;
- having met those two criteria, acquire a majority shareholding of 51 percent in the corporation.

In addition, that there be adjustments in the operations of CIC to include (i) amendment in the portfolio to permit soft loans ration of 70 percent to the LDC's and 30 percent to the MDC's;<sup>1/</sup>

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<sup>1/</sup> The charter of CIC limited its activities to the LDC's.

(ii) future disbursements to be on 10 percent loan - 40 percent equity basis; (iii) emphasis be placed on small and medium-sized enterprises..

As a result the Board of Governors suspended consideration of new loans and investments, and concentrated on consolidation of the portfolio.

Several ministers expressed concern that what was contemplated was a significant departure from the principle of CIC being a mechanism for mobilising risk capital to stimulate the private sector in the LDC's. They were even more disturbed when it emerged that the private sector had brought a new set of proposals to the eight annual meeting, with the proviso that if any of the key policy elements were unacceptable to the Ministers then it was extremely unlikely that revitalization of CIC could proceed.

The new proposals inter alia were that the CIC:

- (i) (in a new form) should offer both development banking and merchant banking services throughout CARICOM;
- (ii) act both as agent and principal in offering a full range of services to private sector clients and a limited range of advisory services to public sector clients;
- (iii) be empowered to utilize funds from both official development assistance agencies and the private sector;
- (iv) take up US\$10-12 million loan from USAID;
- (v) have an independent audit as soon as possible;
- (vi) unpaid shares be subject to call by balance sheet date, or alternatively the individual holdings be pro-rata reduced;
- (vii) portfolio be "marked to market" including a realistic assessment of bad debts and foreign exchange gains or losses;
- (viii) Charter be modified: (a) converting the Board of Governors into representative shareholders' committee; (b) broadening CIC scope of operations to include: investment/merchant banking activities, majority positions in shares of portfolio companies, underwriting securities, engaging in refinancings etc., with provisions of a limited liability company being incorporated into the CIC charter;
- (ix) par value of ordinary shares be changed from EC\$100 each to EC\$50 each by means of a two for one stock split;

- (x) make provision for non-CARICOM financial institutions participation in the CIC equity.

Other details included in these proposals included shareholding structure,<sup>2/</sup> participation of CDB, new composition of the Board of Directors and officers of the corporation, including a project manager (hopefully to be provided by USAID) the latter to be entrusted the tasks of setting up the "new CIC".

The responses of the Ministers were very varied, and the chairman summed up the options emerging from the ensuing debate as:

1. Continue to run CIC in terms of its original principles;
2. Wind up CIC, with the alternatives that either the private sector set up an independent institution, or that CIC become a window of CDB;
3. Create a window in CDB;
4. Accept the private sector proposals and a new institution would then emerge;
5. CIC was established as, and is a part of CARICOM, so let the Heads of Government decide.

Two further important aspects were stressed - firstly, that CIC is part of the integration Regime for the LDC's, and that it was imperative the LDC's state what they wished be done; secondly, CIC charter specifically limits participation to residents of CARICOM, and this limitation was not observed in the private sector proposals.

The decision was that a committee comprising private sector representatives and Ministers from LDC's (with the Prime Minister Dominica as Convenor) meet to examine the detailed proposals during the second week in June.<sup>3/</sup> The committee is to receive all studies and reports on CIC, draft agreements, proposed amendments to the CIC charter etc., by the end of May. The Board of Governors would re-convene mid-July to take the final decision on the future of CIC. The OECS/EAS would serve as Secretariat.

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<sup>2/</sup> Governments 39 percent, private sector 61 percent.

<sup>3/</sup> Two members of CAIC and three Government Ministers (Belize, Dominica and St. Vincent).

In the light of that decision on Item 3, the Board of Governors suspended the meeting and the rest of the agenda, to reconvene on a date to be advised about mid-July.



