Background to the UK Caribbean Infrastructure Fund – September 2015

During a visit by the British Prime Minister, David Cameron, to Jamaica and Grenada at the end of September 2015, he announced a major new package of British investment for the Caribbean region totalling £360 million in new financial commitments as a demonstration that the UK is “serious about the need to strengthen the bonds between the UK and the Caribbean”. The announcements represented a quadrupling of British development aid towards the region.

UK-Caribbean Infrastructure Partnership Fund

Of the £360 million investment package, £300 million will be allocated to an infrastructure fund across the Caribbean – the UK-Caribbean Infrastructure Partnership Fund – in order to help drive economic growth and development. This would enable investment in infrastructure projects such as roads, bridges, ports, energy projects, and sea defences to “set the foundations for growth and prosperity, and in turn reduce poverty while helping the region become more resilient to the risks of climate change”.

According to the UK government press release, the fund would be delivered in collaboration with the Caribbean Development Bank (CDB) and would use money from the UK’s existing aid budget to provide grants over the next few years for a range of projects that will help boost growth and trade across the region and create jobs.

The fund would also open up new market opportunities for British businesses that have the knowledge and expertise to deliver the infrastructure improvements needed.

Types of infrastructure the fund could provide include: 750km of upgraded single-lane roads, including 30-40 bridges; 20 large water production, storage and transmission systems; 75km of sea and river defences; 15 ports upgraded by providing specialist equipment to speed up freight movements; or 30 solid waste management projects for major cities/communities.

The Infrastructure Fund would be available to eight Commonwealth countries in the region eligible for ODA (official development assistance): Jamaica, Guyana, Belize, Dominica, Grenada, St Lucia, Antigua and Barbuda and St Vincent and the Grenadines; as well as Montserrat as an ODA-eligible Overseas Territory. Distribution of the funds will be in accordance with the normal measures used by CDB in terms of need and size of economy.

The Prime Minister stressed that the £300 million would be cash grants, “not soft loans. Not tied aid,” and the Caribbean would decide how best to spend the grants on what the countries need to support their economies.
**Increased export finance to Jamaica**

To further encourage UK-Jamaica business links, it was announced that the government would extend £100 million in export finance to Jamaica. UK Export Finance will now be able to consider medium and long term financing options for private and public sector borrowers in the UK, looking to invest in Jamaica.

**DfID funding**

Additionally, the Prime Minister announced that the government would provide £30 million to strengthen hospital infrastructure so they are more structurally resistant to natural disasters such as hurricanes. The Smart Hospitals Programme would build on a £8.4 million pilot programme and funding would be available to seven ODA-eligible Commonwealth countries in the region: Jamaica, Guyana, Belize, Dominica, Grenada, St Lucia and St Vincent and the Grenadines.

Another £30 million would also be made available to support governments in the region to improve the management of their public finances so that they can improve their own public services. The “skills for growth” economic programme is aimed at the five ODA-eligible countries in the Eastern Caribbean: Antigua and Barbuda, Dominica, Grenada, St Lucia and St Vincent and the Grenadines.

It was hoped that both of these programmes will support governments in the region to get public finances under control while improving public services; support governments to make their countries more attractive to investors and for business to grow, creating more jobs and tax revenue; and work in partnership with both the public and private sector to address the shortage of critical skills which is constraining economic growth and employment.

The International Development Secretary Justine Greening said: “Too many Caribbean countries are held back because they remain vulnerable to severe economic or climate shocks. With some of the highest energy costs in the world, it is difficult for businesses to compete in global markets, leading to decades of slow or declining growth. Britain’s close relationship with the Caribbean and our new support will help boost growth and kick-start economic recovery across the region as well as creating important trade and investment opportunities for the UK.”

**Funding for the construction of a prison in Jamaica**

David Cameron also announced during his visit to Jamaica that the UK will spend £25 million on building a prison in Jamaica and that this would come out of foreign aid budget. This was hoped to break a deadlock in negotiations over a prisoner transfer deal between the two countries. More than 600 Jamaican nationals are in UK jails but cannot be deported due to the Human Rights Act because of poor conditions in Jamaica’s prisons.