



Board of Executive Directors

For consideration

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From: The Secretary
Subject: Barbados. Proposal for a loan for the establishment of a line of credit for project preparation and execution (PROPEF)

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AmountUp to US\$3 million
SourceOrdinary Capital

Inquiries to: Ms. Marguerite Berger (extension 1774)

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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

**PROPOSAL FOR ESTABLISHMENT OF A LINE OF CREDIT FOR
PROJECT PREPARATION AND EXECUTION FACILITY (PROPEF)**

(BA-L1005)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Marguerite Berger (OD6) Project Team Leader; Karen Astudillo (OD6); Gerónimo Frigerio (LEG); Laurence Telson (COF/CBA) and Maria Jordan (OD6) who was in charge of document production.

CONTENT

EXECUTIVE SUMMARY	1
I. FRAME OF REFERENCE	1
A. Background.....	1
B. The Bank's strategy in Barbados.....	2
C. Operations program	2
II. THE LINE OF CREDIT	4
A. Objectives	4
B. Sizing of the line of credit	4
III. PROGRAM EXECUTION	5
A. National coordination agency and beneficiary agencies	5
B. Operating regulations	5
1. Eligible projects.....	5
2. Activities to be financed and uses of funds.....	5
3. Project selection criteria	6
4. Executing agencies	7
5. Use of facility resources	7
6. Transfer of resources	7
7. Amount of financing	7
8. Operations processing	7
C. Environmental and social considerations	7
D. Supervision of the individual operation	8
IV. BENEFITS AND RISKS	8
A. Benefits.....	8
B. Risks	8
C. Justification.....	9

ANNEXES

I Operating Regulations

APPENDICES

I Proposed resolution

II Request for a line of credit, signed by the Barbadian government authorities

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

CESI	Committee on Environment and Social Impact
CSP	Country Strategy Paper
FSO	Fund for Special Operations
GOBA	Government of Barbados
IDB	Inter-American Development Bank
OC	Ordinary Capital
PCD	Project Concept Document
PCR	Project Completion Report
PROPEF	Project Preparation and Execution Facility

Proposal for Establishment of a Line of Credit for Project Preparation and Execution Facility (PROPEF)

(BA-L1005)

EXECUTIVE SUMMARY

Borrower:	Government of Barbados
National Coordination Agency:	Ministry of Finance
Amount and source:	IDB: (OC) US\$3 million Total: US\$3 million
Objectives:	Strengthen the preparation of projects in the Bank's pipeline; increase financial support for start-up activities prior to first disbursement; and provide support during the post-completion and evaluation stages.
Description:	This Facility can be used to finance the following activities: (a) project preparation; (b) execution capacity support; (c) limited investments; (d) strengthening the institutional capacity of the executing agency in the post-execution period; and (e) ex-post project evaluations.
The Bank's country and sector strategy:	The Bank's country strategy (GN-2051) is aimed at promoting efficient utilization and enhancement of natural and human resources. The strategic objectives are to maintain support for a competitive export-led development path, and for the social and economic infrastructure underpinnings of sustainability economic growth.
Benefits:	The Facility will improve the quality of the projects, shorten preparation time --thereby lowering the costs of project start-up-- and encourage the Government of Barbados (GOBA) to undertake institutional strengthening efforts that will ensure project sustainability and to perform evaluations to measure the developmental impact of projects.

Risks:	There is the risk that the GOBA will be slow in using the resources for each specific operation within the Facility or that delays in approval of projects for which PROPEF support is provided will trigger a five-year repayment period. Given the small size of operations anticipated under the Facility, the risks cited above are small and the Government has expressed a strong interest in obtaining and using a line of credit. Furthermore, administrative mechanisms are in place to hasten the PROPEF approval and its use.
Exceptions to Bank policy:	None.
Procurement:	The Bank's standard procedures will apply to procurement of goods and consulting services.

I. FRAME OF REFERENCE

A. Background

- 1.1 In March 2000, the Bank's Board of Executive Directors approved a proposal to create new flexible lending instruments (GN-2085-2). One of these instruments was a Project Preparation and Execution Facility (PROPEF) that would (a) strengthen preparation of projects in the Bank's operations program; (b) increase support to encompass activities involved in project start-up; and (c) establish a framework for institutional sustainability.
- 1.2 PROPEF is a line of credit to provide supplemental financing for activities involved in preparing and/or starting up projects in the Bank's official program. With a PROPEF line of credit, loans up to a pre-established amount can be made without any immediate commitment of funds on the Bank's part. The Board of Executive Directors approve the lines of credit, which are to conform to the guidelines set forth in documents AT-861-5 and GN-2085-2. With a line of credit, Management approves the individual operations, following the guidelines that the Board of Executive Directors established. An individual operation refers to the allocation of funds from a line of credit for project preparation and/or start-up. Each individual operation will be a formal loan from the Bank.
- 1.3 In February 2005, the Bank's Board of Executive Directors approved a proposal (GN-2351) to expand the scope of the current facility to finance (i) institutional-strengthening activities in the post-execution period to ensure project sustainability; and (ii) activities related to ex-post evaluations that measure the development impact of Bank-financed projects.
- 1.4 National coordination agency refers to the government agency that coordinates and authorizes the use of PROPEF proceeds nationwide. Beneficiary agency refers to the final beneficiary of PROPEF resources.
- 1.5 The Government has submitted an investment proposal for a Housing and Neighborhood Upgrading Program, and has requested a PROPEF to provide support for the preparation of the project. In addition, the Government has requested bank's support for the development of a National Transportation Plan and a Water and Sewerage Master Plan. These plans will contribute to the development of future operations that are in the official pipeline or have already been discussed with the government, and to the execution and evaluation of projects in the portfolio.
- 1.6 Following a Programming Mission, the Government of Barbados (GOBA) formally requested on February 2, 2005, the development of a PROPEF to address specific needs for project preparation that will enable to avail itself of the flexibility with which the line of credit for project preparation and execution is endowed. The Ministry of Finance and Economic Affairs has advised the Bank of the Government's decision to designate the Economic Affairs Division of the

Ministry of Finance and Economic Affairs as national coordination agency for the facility.

B. The Bank's strategy in Barbados

- 1.7 With the approval of this facility, funds will be available to design projects or programs within the strategic areas of intervention agreed upon by the Bank and the Country.
- 1.8 The Bank's strategy (GN-2051) is aimed at promoting efficient utilization and enhancement of natural and human resources. The strategic objectives are to maintain support for a competitive export-led development path, and for the social and economic infrastructure underpinnings of sustainable economic growth. Thus the primary elements of the strategy are to:
 - a. Strengthen human resource development through assistance for education and health reforms, and poverty reduction;
 - b. Strengthen environmental infrastructure and natural resource conservation;
 - c. Enhance the environment for, and promote further private sector development through dialogue; and
 - d. Improve public sector management capacity and justice systems.
- 1.9 Work has commenced on the preparation of a new Bank Country Strategy Paper (CSP) for Barbados, which is scheduled to be presented to the Inter-American Development Bank (IDB) Board in 2005. The central focus of the strategy will be to address the challenges of improved competitiveness with significant focus on tourism. As part of the preparation, the Bank is undertaking a number of studies and it is envisaged that the consultation with the Authorities and stakeholders in the country will include a conference, which will provide an opportunity for feedback on the findings and recommendations.
- 1.10 Within the area of public investment management, the CSP specifically seeks to strengthen the capacity of the Ministry of Finance to more effectively discharge its responsibility for economic and financial management of investment programs, improve absorptive and implementation capacity, and increase the developmental and growth impact of public investment. The proposed PROPEF will enable the Ministry of Finance to more effectively manage the Bank-financed portion of the public investment program.

C. Operations program

- 1.11 During 2005, Bank activity in Barbados will concentrate on finalizing the CSP and operations in the pipeline, which are currently under preparation. This work will take into account the constraints on capacity for project execution, and will

seek to optimize the deployment of Bank resources and instruments in response to the country's basic challenges and opportunities.

- 1.12 The Bank's operational program with Barbados for 2005-2007 involves 8 projects for a total of US\$95.2 million.

BARBADOS: LOANS IN OPERATIONAL PROGRAM 2005-2007			
PROJECT No.	PROJECT NAME	AMOUNT (US\$ Million)	APPROVAL DATE
BA-0037	West Coast Sewerage System	40.0	2007
BA-L1001	Water and Sanitation Sector Strengthening and Cost Benefit Analysis	2.2	Jun-05
BA-L1002	Housing and Neighborhood Upgrading Program Phase I	30.0	2005
BA-L1003	Modernization of Customs, Excise and VAT Areas	5.0	2005
BA-L1004	Reform and Modernization of Government Procurement	5.0	2005
BA-L1005	Project Preparation and Execution Facility	3.0	May-05
S/N	Institutional Strengthening of the Barbados Statistical Service	5.0	2005
S/N	Strengthening of Standards in Commerce and Agriculture	5.0	2005
TOTAL		95.2	

- 1.13 This PROPEF will help address the needs involved in preparing and, above all, starting up the current operations program and those in the coming years, thereby supplementing the funding from trust funds and administrative resources of the Region that the Bank administers, and the Barbados government's own funds.
- 1.14 The Operational Program is based on agreements reached during the Programming Mission in January 2005, bearing in mind the real possibilities for project preparation and approval during this period. Other possible projects that have been discussed in the past will, meanwhile, be postponed for discussion under the framework of the new CSP.
- 1.15 The GOBA has submitted a further request for Bank financing to strengthen the Barbados National Institute of Standards and government laboratories and draft terms of reference have been prepared for a mission to assess the scope of a possible project.

II. THE LINE OF CREDIT

A. Objectives

- 2.1 The objectives of this proposal are to create a line of credit for preparation and execution of Bank projects in Barbados.
- 2.2 The objective of the proposed line of credit will be strengthen, supplement and streamline preparation and start-up of projects in the operations program with the Bank. The specific objectives will be as follows:
 - a. To strengthen the preparation of projects that are part of the Bank's operational program;
 - b. To support project start-up activities prior to the first disbursement and to lay the groundwork for institutional sustainability;
 - c. To strengthen the institutional framework of the executing agency in the post-execution phase so as to ensure the project's sustainability and its impact;
 - d. To encourage ex-post evaluations to measure projects' development impact.

B. Sizing of the line of credit

- 2.3 The Bank supports the request of the government of Barbados to have a line of credit for US\$3 million because in addition to the current 2005-2007 pipeline, the Bank is anticipating that over the next 3-5 years the country will develop major investment programs. For example, a comprehensive and integrated water and watershed management, including waste management (both solid and liquid); and a comprehensive and integrated transportation systems planning, development and management. In both instances the Bank anticipates to have a role in capital financing and, most importantly, in project planning, preparation, and analysis. Furthermore, the Bank is anticipating a range of small narrowly focused projects. For example, BNSI and Standards, Agricultural Labs, Procurement, Institutional Strengthening. While all of these will be "small" (i.e., under US\$5 million), they are still expected to require "seed" money to get them up and running.
- 2.4 Out of the US\$3 million requested by the government, approximately US\$1.5 million would be needed immediately for the following programs:
 - a. Housing and Neighborhood Upgrading program (US\$750,000)
 - b. National Transportation Plan (US\$375,000)
 - c. Water and Sewerage Master Plan (US\$375,000)

III. PROGRAM EXECUTION

A. National coordination agency and beneficiary agencies

- 3.1 The Ministry of Finance and Economic Affairs (national coordination agency) will execute this line of credit by way of the Economic Affairs Division. The latter will be directly responsible for financing any activities that beneficiary entities (beneficiary agencies) have planned that would involve the use of the line of credit. The beneficiary agencies will handle all procurement, monitoring and technical control of activities that this line of credit finances.
- 3.2 The procedures for commitment and use of PROPEF funds are detailed in the operating regulations appended hereto.

B. Operating regulations

1. Eligible projects

- 3.3 Projects in the Bank's official lending program are eligible to receive PROPEF financing. The Bank's official lending program is a function of the Bank's current strategy with Barbados and is established by the way of the Ministry of Finance. For a project to be eligible, the Bank and the country must have arrived at an understanding as to the operation's basic concept: Project Outline approved.

2. Activities to be financed and uses of funds

- 3.4 The Facility can be used to finance the following activities: (a) project preparation; (b) execution capacity support; (c) limited investments; (d) strengthening the institutional capacity of the executing agency in the post-execution period; and (e) ex post project evaluations. These five components are described in detail below:

a) Project preparation component

- 3.5 The ceiling for this component will be US\$1.5 million out of the maximum US\$3 million that can be approved for an individual operation, and may be used to finance: (i) the start-up and completion of pre-feasibility studies, feasibility and final design stages, basic studies needed to identify and prepare the programs, preparation and review of bidding documents, any necessary studies to assess the macroeconomic or sectoral issues or impacts of the project; and technical, environmental, economic, financial, institutional, and social studies, and factors related to project analysis; and (ii) the strengthening of the project preparation process, including the hiring of consultants, the purchase of goods and materials essential to project preparation, and travel costs of pertinent staff of the borrower/executing agency within or outside the country, if strictly related to project development activities.

b) Execution capacity support component

- 3.6 This component encompasses: (i) the hiring or training of technical, administrative, or specialized support personnel of executing agencies and local institutions in areas relevant to the start-up and later execution of the new project; (ii) purchase of equipment and office supplies; (iii) rental expenses, fax, phone, and Internet services, and utility costs to support the implementation and efficient functioning of a new unit where justified; and (iv) travel costs, including per diem allowances for personnel of executing agencies and local institutions where appropriate. The Project Team will include and justify, case-by-case, the activities that are envisaged as part of this component. The focus should be on fostering project development and implementation capabilities that extend to local institutions, thus encouraging institutional sustainability (as opposed to a narrow scope that is strictly limited to a specific unit).

c) Limited investments component

- 3.7 The Facility may also be used to finance investments that are low-risk, low-cost, and high impact, and are considered necessary to accelerate project execution. These investments could include, among other things, the installation of systems for project monitoring and financial control, accounting or auditing systems, and computer software and hardware. The Project Team will also analyze such needs on a case-by-case basis, and allocate resources with the appropriate justification within the cost table of the individual operation.

d) Post-completion institutional-strengthening component

- 3.8 This component will finance institutional strengthening activities identified by the executing agency and the Bank during the preparation of the Project Completion Report (PCR) for securing the sustainability and impact of the project including providing continuity with future projects in the sector through sector-wide studies and plans. The ceiling will be set at US\$500,000.

e) Ex-post project evaluation component

- 3.9 The Facility may be used to finance the following activities: (i) preparing the evaluation methodology, where this has not been previously agreed; (ii) compiling the corresponding database (fieldwork); (iii) processing available information; (iv) performing an ex-post evaluation according to an agreed methodology; and (v) disseminating information, lessons learned, and best practices. Evaluation operations will have to be processed separately from preparation and execution activities, since they will be conducted from two to four years after project completion. The ceiling will be US\$500,000.

3. Project selection criteria

- 3.10 With the borrower's agreement, and subject to sound technical and operational justification, as well as approval by Management, which is required under the

“Operations Processing” section of this document, financing from the Facility may be authorized as soon as necessary, once the project has become part of the Bank's official lending program. The amount of financing authorized prior to approval of a Project Concept Document (PCD) may not exceed the equivalent of US\$1.5 million. Any additional financing from the Facility within the global limit of US\$3 million per project may only be authorized once the Loan Committee has approved the project's PCD or equivalent document.

4. Executing agencies

- 3.11 Resources from the Facility may be used by public-sector administrative agencies at the central or decentralized levels to engage professional consulting services and to procure the goods to conduct any supplementary studies and activities required.

5. Use of facility resources

- 3.12 The resources of the Facility may be used to engage professional consulting services and to procure the goods to conduct any supplementary studies and activities required.

6. Transfer of resources

- 3.13 The resources will be transferred to executing agencies through the designated national entity, when a line of credit arranged between the country and the Bank under the Facility is being used.

7. Amount of financing

- 3.14 The amount of financing approved under the Facility for each project, in support of project start-up activities, institutional strengthening of the executing agency in the post-execution phase, and the ex post evaluation may not exceed a cumulative total equivalent to US\$3 million. The maximum amount for the Project Preparation Component described in Chapter III. 2. a) may not exceed the equivalent of US\$1.5 million per project. The activities described in parts (d) and (e) of that same chapter may not exceed the equivalent of US\$500,000.

8. Operations processing

- 3.15 The operations processing for this line of credit are detailed in Annex 1 and they refer to the requirements and procedures to access the resources from PROPEF. The Project Team will be responsible for processing each operation.

C. Environmental and social considerations

- 3.16 Because PROPEF will only be used to help prepare projects and make limited, low-risk investments, individual operations should not have to be presented to the Committee on Environment and Social Impact (CESI) since their sole purpose is

to help prepare a project whose profiles and principal documents will, according to standard Bank operations procedures, be reviewed in time by CESI for classification and the corresponding recommendations.

D. Supervision of the individual operation

- 3.17 The IDB Country Office in Barbados, in coordination with Country Division 6 will monitor all aspects of the line of credit's execution. The beneficiary agencies and the respective Bank project teams will supervise the individual operations.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The proposed PROPEF will benefit project preparation and execution in Barbados by:
- a. Facilitating earlier and greater Bank involvement in project preparation activities, thereby enabling the Bank to provide adequate support and advisory services to executing agencies.
 - b. Reducing the time spent in processing the preparation of projects and programs that receive support from the PROPEF.
 - c. Allowing the Bank to act quickly to strengthen the institutional capacity of executing institutions, so as to shorten the period of time between loan approval and the actual start-up of project activities, thereby assisting in execution.
 - d. Strengthening the capacity of executing agencies to effectively participate in project completion activities, thereby ensuring project sustainability and impact.
 - e. Improving ex-post evaluation capabilities and facilitating quality and timely ex-post evaluations, as well as the dissemination of the results and lessons learned, as needed by the executing agencies.

B. Risks

- 4.2 There is a risk that the government could be slow to use the resources for each specific operation approved under the Facility, either because of delays in the country's approval process or because of a protracted execution process (if insufficient counterpart funds are appropriated for the operation). However, given the small size of operations that are expected to be approved under the Facility, the risk of lack of counterpart is minimal. Another risk is that delays in the approval of projects for which PROPEF support is provided (more than six

months after the final disbursement of the financing from the Facility) will trigger a five-year repayment term. The government of Barbados is fully aware of this provision of the Facility, and has nonetheless expressed its interest in obtaining and using this line of credit. In order to ensure swift and timely use of the line of credit, the Bank and the Ministry of Finance will review the use of the Facility and individual project needs on a regular basis.

C. Justification

- 4.3 The line of credit under consideration here supplements other existing project preparation and execution support mechanisms and establishes a timely source of funding for those purposes. Both preparation and execution of projects have been slow in Barbados over the last five years. Delays are generally due to bottlenecks caused by planning and project preparation studies and project completion and evaluation work, as well as institutional constraints, which can be addressed with financing from the PROPEF. Thus, the PROPEF is crucial to improving the timing and quality of project preparation and execution in Barbados.

Barbados

**Line of Credit for Project Preparation and Execution Facility
(PROPEF)(BA-L1005)**

Operating Regulations

I. PURPOSE AND SCOPE

A. Purpose

- 1.1 In keeping with the Bank standards set forth in documents AT-861-5 and GN2085-2, these Regulations establish the requirements and procedures for use of the proceeds from the Project Preparation and Execution Facility (PROPEF), hereinafter referred to as the “PROPEF”.

B. Scope

- 1.2 The provisions of these regulations and the terms of the Letter of Agreement that the Bank and Barbados signed shall govern the activities carried out under this PROPEF line of credit. In case of doubt of conflict, the terms of the Letter of Agreement shall take precedence.

II. PROPEF OBJECTIVES

A. Objectives

- 2.1 The objective of the PROPEF will be to strengthen, supplement and streamline preparation and start-up of projects in the operations program with the Bank. The specific objectives will be as follows:
- a. To strengthen the preparation of projects that are part of the Bank's operations program;
 - b. To support project start-up activities prior to the first disbursement and to lay the groundwork for institutional sustainability;
 - c. To strengthen the institutional framework of the executing agency in the post-execution phase so as to ensure the project's sustainability and its impact;
 - d. To encourage ex-post evaluations to measure projects' development impact.
- 2.2 PROPEF can be used to finance the following activities: (a) project preparation; (b) execution capacity support; (c) limited investments; (d) strengthening the

institutional capacity of the executing agency in the post-execution period; and (e) ex post project evaluations.

III. AREAS TO BE FINANCED

- 3.1 Projects eligible to receive PROPEF financing shall be those that are part of the Bank's official lending program. The Bank's official lending program is established on the basis of the programs requested by the Government of Barbados by way of its Ministry of Finance and Economic Affairs, and about which the Bank the country have an understanding as to the operation's basic concept (Project Outline approved).
- 3.2 The regulations regarding the activities to be financed and of the use of Facility resources shall, for this PROPEF, be those established in documents AT-861-5, GN-2085-2, and GN-2351 namely (a) project preparation; (b) execution capacity support; (c) limited investments; (d) strengthening the institutional capacity of the executing agency in the post-execution period; and (e) ex-post project evaluations. These five components are described in detail below.

a) Project preparation component

- 3.3 The ceiling for this component will be US\$1.5 million out of the maximum US\$3 million that can be approved for an individual operation, and may be used to finance: (i) the start-up and completion of pre-feasibility studies, feasibility and final design stages, basic studies needed to identify and prepare the programs, preparation and review of bidding documents, any necessary studies to assess the macroeconomic or sectoral issues or impacts of the project; and technical, environmental, economic, financial, institutional, and social studies, and factors related to project analysis; and (ii) the strengthening of the project preparation process, including the hiring of consultants, the purchase of goods and materials essential to project preparation, and travel costs of pertinent staff of the borrower/executing agency within or outside the country, if strictly related to project development activities.

b) Execution capacity support component

- 3.4 This component encompasses: (i) the hiring or training of technical, administrative, or specialized support personnel of executing agencies and local institutions in areas relevant to the start-up and later execution of the new project; (ii) purchase of equipment and office supplies; (iii) rental expenses, fax, phone, and Internet services, and utility costs to support the implementation and efficient functioning of a new unit where justified; and (iv) travel costs, including per diem allowances for personnel of executing agencies and local institutions where appropriate. The Project Team will include and justify, case-by-case, the activities that are envisaged as part of this component. The focus should be on fostering

project development and implementation capabilities that extend to local institutions, thus encouraging institutional sustainability (as opposed to a narrow scope that is strictly limited to a specific unit).

c) Limited investments component

- 3.5 The Facility may also be used to finance investments that are low-risk, low-cost, and high impact, and are considered necessary to accelerate project execution. These investments could include, among other things, the installation of systems for project monitoring and financial control, accounting or auditing systems, and computer software and hardware. The Project Team will also analyze such needs on a case-by-case basis, and allocate resources with the appropriate justification within the cost table of the individual operation.

d) Post-completion institutional-strengthening component

- 3.6 This component will finance institutional strengthening activities identified by the executing agency and the Bank during the preparation of the Project Completion Report (PCR) for securing the sustainability and impact of the project including providing continuity with future projects in the sector through sector-wide studies and plans. The ceiling will be set at US\$500,000.

e) Ex-post project evaluation component

- 3.7 The Facility may be used to finance the following activities: (i) preparing the evaluation methodology, where this has not been previously agreed; (ii) compiling the corresponding database (fieldwork); (iii) processing available information; (iv) performing an ex-post evaluation according to an agreed methodology; and (v) disseminating information, lessons learned, and best practices. Evaluation operations will have to be processed separately from preparation and execution activities, since they will be conducted from two to four years after project completion. The ceiling will be US\$500,000.

IV. GENERAL OPERATIONAL MATTERS

A. Criteria for selecting projects to be supported

- 4.1 All projects supported with PROPEF resources shall be part of the Bank's lending program and must therefore have an approved Project Outline.

B. National coordination and beneficiary agencies

- 4.2 The Ministry of Finance (national coordination agency) shall be responsible for executing this line of credit (PROPEF) by way of its Economic Affairs Division. The latter shall be directly responsible for financing any activities that the beneficiary entities (beneficiary agencies) have planned and that involve the use

of the line of credit. The beneficiary entities will handle all procurement, monitoring and technical control associated with the activities that this line of credit finances.

- 4.3 Central or decentralized public sector administrative bodies that have been cleared by the national coordination agency may use PROPEF resources to support the studies required to complete preparation of projects that the Bank has under consideration or support execution and ex-post evaluation of projects in the portfolio.

C. Use of PROPEF resources

- 4.4 PROPEF resources be may used to hire professional consulting services, for procurement of required goods and services, and for transportation expenses incurred to conduct related studies and activities needed for the operation's start-up, execution and ex-post evaluation.

D. Maximum amount of financing

- 4.5 According to the guidelines established in documents AT-861-5 and GN-2085-2, the maximum amount of financing that can be charged to the PROPEF for project preparation and start-up support activities may not exceed a cumulative total equivalent to US\$3 million. The maximum amount for the project preparation component described in subparagraph (a) of Section III of these Operating Regulations may not exceed the equivalent of US\$1.5 million per project. The activities described in parts (d) and (e) may not exceed the equivalent of US\$500,000.

E. Processing individual operations

1. The proposal

- 4.6 Once Profile I of an operation has been approved, the Bank's project team and the public sector entity responsible for that operation's preparation may propose that PROPEF be used to finance the activities provided for under point III above.
- 4.7 The aide memoir from the mission preparing the operation may propose the use of PROPEF. Since that aide memoir will be signed by the agency with jurisdiction in the specific sector that the Bank operation concerns, and by the Ministry of Finance and Economic Affairs, that document shall constitute the Government's proposal to the Bank that the operation be financed through PROPEF.
- 4.8 If the proposal to use PROPEF does not appear in the aide memoir from an operation-preparation mission or administration mission of the Bank, the Ministry of Finance may propose the use of PROPEF in a letter addressed to the Bank, stating its interest.

a) Procedure for establishing individual operations to be financed with PROPEF proceeds:

(i) Preparation of the Memorandum of Assistance

- 4.9 The Project Team will prepare the Memorandum of Assistance, which will include a copy of the country's official request for financing the operation under the Facility, and a draft of the corresponding Letter of Understanding.
- 4.10 The Project Team will take the following steps in preparing the Memorandum of Assistance:
- a. Identify the need for resources to complete the preparation, start-up (or sector operation), post-execution activities, or evaluation of the project;
 - b. Verify that no other resources are available for project preparation, start-up, post-execution, or evaluation;
 - c. Prepare the Memorandum of Assistance, which will include:
 - i. The objectives of the operation and its relationship with the action plan in the Project Outline or the Project Concept Paper (PCD).
 - ii. A description of the operation's beneficiary/executing agency, the authorities that will sign the commitment, the action plan for preparing the project, and the scope of the activities (feasibility studies, final designs, institutional strengthening, evaluation, etc.).
 - iii. The terms of reference and other technical information required for approval of the activities and the goods and services to be procured initially.
 - iv. The operation's budget, the amount and source of funding required, the terms and conditions of the IDB financing, and the execution and disbursement periods.
 - v. If it has been agreed that the borrower will conduct an ex-post evaluation, the terms of that agreement will be included as well.

b) Approval of the Memorandum of Assistance

- 4.11 The Project Team Leader will submit the first version of the Memorandum of Assistance simultaneously to the Chief of the Sector Division, the Chief of the Country Division, the Bank's Representative in the country, and the Legal Department. These officials will address their comments to the Project Team Leader within the following five working days. The Project Team Leader will make any necessary changes in the Memorandum of Assistance. Observations on

which disagreement exists will be submitted to the Department Manager for a final decision.

- 4.12 Once the parties have reached an agreement, the Project Team Leader will prepare the final version of the Memorandum of Assistance and submit it for approval to the Division Chief responsible for the project's preparation, if the financing proposed for the individual operation does not exceed the equivalent of US\$1.5 million, and to the Department Manager if it exceeds the equivalent of US\$1.5 million. Notwithstanding the foregoing, if approval of the Memorandum of Assistance for Project Preparation results in the authorization of financing from the Facility in an amount that exceeds the equivalent of US\$750,000 for a particular project prior to approval of the project's PCD, the Memorandum of Assistance must be submitted to the respective Department Manager for approval.

2. Approval of individual operations

- 4.13 Once the operation has been authorized, the IDB Representative in Barbados will sign the final version of the Letter of Understanding with the respective local authorities, and subsequently forward the documentation to the Legal Department.
- 4.14 The Legal Department will send a copy of the documentation to the department responsible for preparing the operation and to the Disbursements and External Audits Office (ROS/DAU) and to the Strategic Risk Management, Financial Policy, and Institutional Banking Sub-department (FIN/RPI) for registration in accordance with existing loan regulations.

F. Disbursements for individual operations under a line of credit

- 4.15 The disbursement procedures will be the same as those for all Bank loan operations. The first disbursement will require certification by the IDB Representative, with the concurrence of the Legal Department (for any legal opinion that is required as a condition precedent) that the conditions have been fulfilled and that the operation has been declared eligible for disbursement.
- 4.16 The executing agency will prepare the disbursement requests and forward them to the national entity responsible for approval and control. The national entity will submit them to the Bank through the Bank's Country Office, which will review and approve the requests.
- 4.17 The Bank will disburse the resources into a special account designated by the national coordination agency. Those funds may be used to finance the activities stipulated under section III.
- 4.18 The term for disbursement of an individual operation under the Facility will be adapted to the operation's specific circumstances, and will normally not exceed 24 months after signature of the Letter of Understanding.

- 4.19 Where the Bank, pursuant to clause (a) under the heading “Procurement and Contracting” of these Regulations, has engaged a consultant, disbursements will be made according to the contract, without the need for the executing agency to submit a disbursement request.

G. Recoveries and repayment

1. Recoveries

- 4.20 The resources granted under an individual operation and applicable finance charges will be recovered from the disbursements of the proceeds of the loan granted by the Bank for the respective project or program. Accordingly, the project or program cost table must show the amount of the financing granted for the individual operation under the Facility.
- 4.21 The Bank must recover the entire principal disbursed under the operation, and this will automatically be credited to the line of credit for the respective country. All payments made from the amounts disbursed and the corresponding finance charges will be credited to the general accounts of the Bank.
- 4.22 Individual operations financed by the Facility for post-execution activities and ex-post project evaluation will be repaid within the periods established in paragraphs (iii) and (iv) of part b. of this chapter.

2. Repayment

- 4.23 Operations financed by the Facility for project preparation and start-up activities will be repaid, as applicable, within the following periods:
- a. Within 12 months after the date on which the IDB loan for the corresponding investment project (or sector operation) is approved, provided the loan contract has been signed (and ratified, if necessary) and the conditions precedent to the first disbursement have been fulfilled.
 - b. Within six months after the last disbursement of the financing from the Facility for the operation, provided the IDB project or sector loan has not been granted within that period of time. This period may be extended in cases where the IDB loan for an investment project (or sector operation) that was supported by the Facility is at an advanced stage of processing.
- 4.24 Operations financed by the Facility for post-execution activities and ex-post project evaluation will be repaid, as applicable, within the following periods:
- a. If the amount of the operation is less than US\$100,000, the borrower will repay the amounts owed in semiannual installments over a period of 12 months from the date of the last disbursement of financing from the Facility for the operation.

- b. For amounts above this threshold, the operation financed by the Facility must be repaid in 10 equal, semiannual installments over a period of five years from the date of the last disbursement of the financing, provided the amount of the operation, including principal and interest, exceeds US\$100,000.
- 4.25 Operations financed with the Facility that do not result in an IDB loan will be repaid, as applicable, within the following periods:
- a. If the amount of the operation is less than US\$100,000, the borrower will repay the amounts owed in semiannual installments over a period of 12 months from the date of the last disbursement of the financing for the operation.
 - b. If the Bank does not grant a loan to finance the project within the period set for repayment of the operation, the principal and accrued finance charges will be repaid in 10 equal, semiannual installments over a five-year period from the date of the last disbursement provided the amount of the operation, including principal and interest, is greater than US\$100,000.

H. Finance and other charges

- 4.26 The credit fees for individual operations under the Facility that are financed from the resources of the Ordinary Capital (OC) will be the same as for regular Bank loans. Interest will accrue from the date of each disbursement. All finance charges will be repaid out of the proceeds of the first disbursement of the IDB loan, and at the time of disbursement.

I. Procurement and contracting

1. Consulting services

- 4.27 The consulting services to be paid out of the resources of the Facility will be contracted in accordance with the Bank's standard procedures. In order to preserve the necessary swift and timely nature of the Facility, however, the procurement notice will include a brief description of the operations in the IDB Monthly Operations Summary of Proposed Projects published in the United Nations "Development Business".
- 4.28 The executing agency will be responsible for engaging consulting services. In exceptional cases, however, the Bank may, at the beneficiary's request, engage such services.

2. Procurement of goods

- 4.29 Standard Bank procedures shall be followed for the purchase of goods using the Facility resources. Such purchases shall not exceed the equivalent of US\$200,000 and shall be made on the basis of price competition. In exceptional cases, the Bank may authorize purchases in amounts greater than the equivalent of

US\$200,000, in which case they shall be procured through public bidding. The public bidding procedures to be used shall be those currently required by the Bank.

J. Environmental and social considerations

- 4.30 Because PROPEF will only be used to help prepare projects and make limited, low-risk investments, no presentations to the Committee on Environment and Social Impact (CESI) should be necessary: (i) for a line of credit, as it is simply an authority to grant loans up to a pre-set amount, and (ii) for individual operations, because their sole purpose is to help prepare a project whose profiles and principal documents will, according to standard Bank operations procedures, be reviewed in time by CESI for classification and the corresponding recommendations.

K. Reports and evaluation

1. Reports

- 4.31 The Regional Operations Departments and country offices will be responsible for monitoring the use of resources from the Facility, and will centralize all the necessary information.

2. Evaluation

- 4.32 Management will prepare and submit to the Board an evaluation of the Facility every four years. The evaluation report will focus primarily on the Facility's effectiveness and impact, and on the lessons learned.
- 4.33 The evaluation will examine specifically: (i) the efficiency and effectiveness of the Facility as a mechanism for advancing the preparation of projects in the pipeline, strengthening start-up activities, and promoting ex post evaluation of projects; (ii) the impact, relevance, and functioning of the Facility; (iii) the sustainability and continuity of efforts; (iv) the Facility's impact on project pipeline development, processing of loans, the start-up and post-execution activities, and the development impact of projects; and (v) experiences, lessons learned, and future activities recommended.

L. Supervision of the individual operations

- 4.34 The Country Office in Barbados, in coordination with the Country Division, shall be responsible for monitoring everything related to execution of the line of credit. The beneficiary entity and the respective Bank project team shall be in charge of supervising the individual operations.



**GOVERNMENT OF BARBADOS
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
PUBLIC INVESTMENT UNIT**

1st Floor S. P. Musson Building

Hincks Street, Bridgetown, Barbados, West Indies

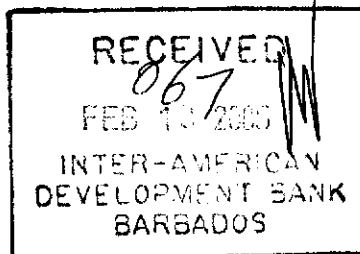
TEL. NO. (246) 467-5722/26/FAX NO. (246) 426-3688/E-MAIL: brathwaiteer@gob.bb



OUR REF: 7096/105

February 18, 2005

The Representative
Inter-American Development Bank
'Maple Manor'
Hastings
CHRIST CHURCH



Dear Sir,

Project Preparation and Execution Facility (PROPEF)

You will recall that at the Programming Mission meeting on January 24, 2005 between the Right Honourable Owen S. Arthur, Prime Minister and Minister of Finance and Economic Affairs and the Division Chief, Mr. Ciro de Falco, it was agreed that the Government of Barbados would submit a request to the Bank, indicating its interest in accessing the Project Preparation and Execution Facility (PROPEF).

In this regard, we hereby confirm the interest of the Government of Barbados in obtaining a line of credit of US \$3.0 million under the PROPEF. These resources would assist in the preparation of projects and in meeting conditions precedent to first disbursement of loans already approved or being considered.

As you are aware, the Housing and Neighbourhood Upgrading Programme has reached a stage where two project teams are required for the preparation phase of the programme. Funding under the PROPEF is urgently required to allow the Government to buy-in services for the teams and to ensure that the momentum in the preparation of the programme is not lost.

Other projects which are considered to be at the stage where they could benefit from the provision of specialist services and studies through PROPEF funding are the Restructuring of the Barbados National Standards Institute, the Re-equipping of Government's Laboratories and the Reform and Modernisation of Government Procurement.

- 2 -

The Representative
Inter-American Development Bank
'Maple Manor'

February 18, 2005

We wish to inform you that the formal application will be provided once the decision of the Cabinet has been made.

The Government of Barbados appreciates your continued assistance in promoting the social and economic development of Barbados.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Eric Brathwaite', with a stylized flourish at the end.

ERIC BRATHWAITE
for Permanent Secretary
(Economic Affairs)

EB/sr

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/05

Barbados. Line of Credit for Project Preparation and
Execution Facility (PROPEF)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to: (a) enter into such agreement or agreements as may be necessary with Barbados, to establish a conditional line of credit of up to the sum of US\$3,000,000, or its equivalent in other currencies, chargeable to the resources from the Ordinary Capital for the Project Preparation and Execution Facility, henceforth also referred to as "PROPEF"; (b) approve individual operations chargeable to the above-referenced conditional line of credit of the PROPEF and formalize the required agreement or agreements, and to adopt such other measures as may be required, with Barbados, or such other entity it shall designate for the execution of said individual operations.

2. That the authorizations above conferred shall be carried out in accordance with: (a) the objectives and regulations of the Project Preparation and Execution Facility established by Resolution DE-34/00 of March 22, 2000; and (b) the specific provisions set forth in Document PR-_____.

3. That the approval of the individual operations referred to in subsection (b) of paragraph 1 above, shall be subject to the availability of resources from the Ordinary Capital in the PROPEF, on a case by case basis.

4. That the amounts disbursed chargeable to the conditional line of credit shall be granted on a reimbursable basis, and that the approval of the individual operations will be initiated only when the Conditional Line of Credit Agreement between Barbados and the Bank enters into force.

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