

ANNEX A

THE PROGRAMME (2007)

Improvement of the Policy and Institutional Framework in the Organisation of Eastern Caribbean States Countries (OECS) Phase III

I. Objective

- 1.01** The objective of the Programme is to complement the Global Credit Facility Loan Program via the provision of resources to assist in the implementation of reforms associated with the Caribbean Development Bank's (CDB) Economic Reconstruction Program in the four (4) Fund for Special Operations (SFO) eligible members of the OECS (Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines). Eligible projects must assist these countries, or OECS regional efforts, to design or implement economic or institutional reforms, to improve the competitiveness of their economies or reduce their vulnerability to external macroeconomic shocks or natural disasters.

II. Description

- 2.01** The Program will assist in the financing of projects in CDB's Technical Cooperation (TC) pipeline that meet the aforementioned objective and criteria. Therefore, using its improved programming process and in a manner consistent with this Agreement, CDB will distribute Program resources amongst the following five (5) projects CDB selected: (I) Preparation of a Tourism Master Plan - Dominica; (II) Preparation of a National Policy on Local Government and a Local Government Act - Dominica; (III) Institutional Strengthening of the Ministry of Finance, Industry and Planning - Dominica; (IV) Capacity-building for Strengthening Government Financial Management – Grenada; and (V) Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines. If necessary, CDB, subject to prior Bank approval, could exclude any of the pre-identified projects and submit other for Program financing.

Project I: Preparation of a Tourism Master Plan - Dominica

- 2.02** This project is designed to provide a comprehensive planning framework for the development of the tourism sector to facilitate economic diversification; elaborate a vision for the future direction and content of the sector to focus and guide the actions of stakeholders towards a shared goal; and specify the timing and scheduling of major programs, roles and responsibilities of key players, institutional arrangements and resource requirements for achieving this vision. This will result in greater inter-sectoral linkages, and increased socio-economic benefits to Dominica. The consultants selected will undertake a comprehensive diagnostic study of the tourism sector, formulate strategic actions and develop an action plan.

Project II: Preparation of a National Policy on Local Government and a Local Government Act - Dominica

- 2.03** The project is designed to enhance governance systems in Dominica by strengthening the institutional framework for local government. It includes three main activities to be conducted by consultants: (i) reviewing of existing local government legislation; (ii) preparing a national policy on local government; and (iii) drafting and advising on a comprehensive Local Government Act.

Project III: Institutional Strengthening of the Ministry of Finance, Industry and Planning – Dominica;

- 2.04 The project is designed to improve institutional capacity in fiscal management through the upgrading of the information and communications technology (ICT) capacity in the Ministry of Finance, Industry and Planning. Consultants will advise on the most appropriate structure to facilitate the efficient functioning of a new ICT unit in the Ministry, including technical functionality and business process flow relationships. A sustainable skills upgrading training program for core staff will also be designed.

Project IV: Capacity-building for Strengthening Government Financial Management – Grenada

- 2.05 The project is designed to improve the quality of the public accounts and strengthen financial management in the public service by developing capacity in public sector ministries to operate and administer treasury computerised accounting systems and procedures. Consultants will provide training in accounting procedures and the use of computerised accounting systems.

Project V: Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines

- 2.06 The project is designed to provide institutional strengthening to the Statistics Department to analyse (i) the current data requirements of its internal and external clients; (ii) the processes and methodologies employed in obtaining, analysing, storing and disseminating such data; and (iii) the skills mix currently available to undertake such tasks. This intervention will result in an improvement of all procedures, processes and skills involved in data management.

III. Total Cost of the Project Financing Plan

- 3.01 The estimated cost of the Project is the equivalent of USD 600,000, in accordance with the following investment categories and sources of financing:

(USD)			
Categories	IDB	Local Counterpart	Total
1. Preparation of a Tourism Master Plan - Dominica			
Consultants (Fees, Per Diem and Travel)	130,000		130,000
Stakeholder Workshop	4,500		4,500
Other Eligible Expenses	2,000		2,000
Administration		27,000	27,000
Contingencies	13,500	2,700	16,200
Subtotal Project 1	150,000	29,700	179,700

2. Preparation of a National policy on Local Government			
- Dominica			
Consultants (Fees, Per Diem and Travel)			138,400
	138,400		
Stakeholder Consultations	2,000		2,000
Other Eligible Expenses	4,000		4,000
Administration		28,000	28,000
Contingencies	4,000	3,500	7,500
Subtotal Project 2	148,400	31,500	179,900
3. Institutional Strengthening of Ministry of Finance-			
Dominica			
Consultants (Fees, Per Diem and Travel)	31,600		31,600
Other Eligible Expenses	1,000		1,000
Administration		6,000	6,000
Contingencies	2,000	600	2,600
Subtotal Project 3	34,600	6,600	41,200
4. Capacity-building for Strengthening Government			
Financial Management - Grenada			
Consultants (Fees, Per Diem and Travel)	11,700		11,700
Stakeholder workshop	10,800		10,800
Other Eligible Expenses	8,500		8,500
Administration		5,500	5,500
Contingencies	3,000	500	3,500
Subtotal Project 4	34,000	6,000	40,000
5. Institutional Strengthening of the Statistics Department			
- St. Vincent and the Grenadines			
Consultants (Fees, Per Diem and Travel)	110,000		110,000
Stakeholder consultation		5,000	5,000
Other Eligible Expenses	11,000		11,000
Administration		16,000	16,000
Contingencies	12,000	3,000	15,000
Subtotal Project 5	133,000	24,000	157,000
TOTAL	500,000	97,800	597,800

IV. Execution and Administration

- 4.01** The Projects Department of CDB, in cooperation with the country project executing institutions, will execute the Program. Staff of the Projects and Economics Departments will be responsible for assuring the feasibility and effectiveness of the projects financed by the Program, including issues related to costs and sustainability.
- 4.02** Assigned staff of the Projects and Economics Departments of CDB, in cooperation with the relevant government ministries/agencies, will supervise the execution of all the activities of the projects. Duties will include preparation of all relevant project documentation, managing the project finances, hiring of consultants, administration of their contracts and organisation of all consultant-related activities.

- 4.03** The Projects and Economics Departments of CDB, with inputs from local and regional counterparts, will also be responsible for all technical aspects related to the design and implementation of project activities (including the preparation of terms of reference for each project activity and supervision and evaluation of consultants in terms of their technical output).

V. Monitoring and Evaluation

- 5.01** CDB will make available to the Bank the data relating to the projects financed under this Program, as well as the annual supervisory reports of those projects, which shall include an assessment of the Program's performance and the specification of remedial measures, when necessary. In addition, CDB will provide a copy of its annual report on the implementation of technical assistance projects, which provides data on all CDB technical assistance projects in execution. This report will allow the Bank to compare the performance of projects financed with the Program resources, with other CDB technical assistance operations by sector and country.
- 5.02** The performance evaluation system will be complemented by the requirement that all projects supported by the Program have measurable performance indicators, with baseline data, where applicable, that show whether the supported projects meet their objectives and demonstrate their development effectiveness. Appraisal documents should include baseline data, where applicable, and define execution and project termination benchmarks for these performance indicators. These indicators, along with the information included in the CDB's performance evaluation system and project completion reports for the projects financed under the program will allow for an evaluation of the effectiveness of those projects and thereby the development effectiveness of the Program itself.
- 5.03** Any substitution of projects under this Program would have to be justified and is subject to the prior no-objection of the Bank.
- 5.04** Based on the above reports to be presented by CDB, the Bank will determine whether there is need for additional review of execution by the Bank.
- 5.05** The Bank will not require audits of the individual projects financed by the Program, but will rely on the CDB to conduct these audits as required by their procedures. During Program execution, the CDB, as the executing unit, will prepare and submit to the Bank its annual audited financial statements (comprising Ordinary Capital Resources, Special Funds Resources - Special Development Fund and Special Funds Resources - Other Special Funds) within one hundred and eighty (180) days after the closing date of each fiscal year. An auditing firm acceptable to the Bank will be responsible for the audit.

TECHNICAL COOPERATION PROFILE

I. BASIC PROJECT DATA

Country/Region:	Regional		
Program Name/Number:	“Improvement of Policy and Institutional Framework in Organization of Eastern Caribbean States Countries. Phase III. (OECS)” RG-T1463		
Team Leader/Members:	Leader: Frank Nieder (ICF/CMF); Laurence Telson (ICS/CBA) and Desmond Thomas (CCB/CCB)		
Date of Request:	September 3, 2007		
Beneficiary:	FSO Eligible Countries of the Organization of East Caribbean States (OECS)		
Executing agency:	Caribbean Development Bank (CDB)		
Amount and Source of Funding:	IDB (Net income of FSO):	US\$	500,000
	Local:	US\$	97,800
	Total:	US\$	597,800
Technical and Basic Responsibility:	ICF/CMF		
Tentative dates:	Approval	February, 2008	

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 The economies of the smaller and lower income countries of the Organization of Eastern Caribbean States OECS, which include Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines, deteriorated sharply in the aftermath of the events of September 11, 2001, which led to a dramatic fall in tourism. Tourism is a major element of the economies of these countries. Since then the performance of the economies has consistently improved, reaching growth rates of 5-6% in 2005 and 2006, the highest levels in a decade and a half. These higher growth rates have been fueled in large part by a continuing rebound in tourism, high levels of foreign direct investment and more buoyant domestic demand. The recent acceleration of growth, however, has occurred despite erosion in market preferences that has affected agricultural exports to Europe, and rising oil prices.

- In spite of the improved economy these countries still suffer from high incidences of poverty, and their economies are highly vulnerable to external shocks and natural disasters. In addition, the economies have not improved large fiscal and external imbalances, and face increased competition in the tourism sector as well as deteriorating terms of trade.
- 2.2 Structural changes are needed to reduce these countries vulnerability and allow for continued significant increases in per capita income. Priorities are to: (i) diversify their economies ; (ii) improve the business climate; (iii) reduce fiscal and external imbalances; and (iv) prepare the economies to take advantage of the opportunities to be provided by further liberalization of world and hemispheric trade. The countries have taken some important initial steps to address these challenges, including the lowering of trade barriers, joining in moves to deepen regional integration through the establishment of the CARICOM Single Market and Economy, as well as improving and simplifying the regulatory framework for businesses in some countries. This has led to the limited development of some new export-oriented businesses, such as electronics assembly and data processing.
- 2.3 Motivated by the effects of September 11, the CDB in coordination with the IMF developed with its member countries an Economic Reconstruction Program that was designed to accelerate measures required to improve their competitiveness and reduce their vulnerability to both external economic shocks as well as natural disasters. The IDB supported this effort for the lower income OECS countries, which are FSO eligible, with a US\$20 million dollar global credit facility in June, 2002, to the Caribbean Development Bank. It should be noted that the IDB cannot lend to these countries directly, as they are not members of the IDB, but the IDB can support their economic and economic development through on-lending by the Caribbean Development Bank.
- 2.4 The loan proposal specified that the Bank intends to provide US\$1.5 million dollars of FSO financed technical cooperation, to be provided through three separate operations of US\$ 500,000. These resources are to be used to complement the loan and support institutional and policy measures associated with the Economic Reconstruction Program. The proposed program would be the third phase of these technical cooperation operations.

III. PROGRAM OBJECTIVE AND DESCRIPTION

- 3.1 The objective of the program is to improve the competitiveness and reduce the vulnerability of the economies of the lower income OECS countries to natural disasters and external shocks. Eligible projects will assist these countries, or OECS regional efforts to develop and implement economic or institutional reforms or other measures that meet this objective
- 3.2 The Program will assist in the financing of projects in the CDB's Technical Cooperation (TC) pipeline that meet the aforementioned criteria. CDB will

distribute Program resources amongst the following five (5) projects: (I) Preparation of a Tourism Master Plan - Dominica; (II) Preparation of a National Policy on Local Government and a Local Government Act - Dominica; (III) Institutional Strengthening of the Ministry of Finance, Industry and Planning - Dominica; (IV) Capacity-building for Strengthening Government Financial Management – Grenada; and (V) Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines. If necessary, CDB, subject to prior Bank approval, could exclude any of the pre-identified projects and submit other for Program financing.

Project I: Preparation of a Tourism Master Plan - Dominica

- 3.3 This project is designed to provide a comprehensive planning framework for the development of the tourism sector to facilitate economic diversification; elaborate a vision for the future direction and content of the sector to focus and guide the actions of stakeholders towards a shared goal; and specify the timing and scheduling of major programs, roles and responsibilities of key players, institutional arrangements and resource requirements for achieving this vision. This will result in greater inter-sectorial linkages, and increased socio-economic benefits to Dominica. The consultants selected will undertake a comprehensive diagnostic study of the tourism sector, formulate strategic actions and develop an action plan.

Project II: Preparation of a National Policy on Local Government and a Local Government Act - Dominica

- 3.4 The project is designed to enhance governance systems in Dominica by strengthening the institutional framework for local government. Local governments are to assume greater responsibility for mitigating the impact and responding to the effects of natural disasters, as well as promoting local economic development. It includes three main activities to be conducted by consultants: (i) reviewing of existing local government legislation; (ii) preparing a national policy on local government; and (iii) drafting and advising on a comprehensive Local Government Act.

Project III: Institutional Strengthening of the Ministry of Finance, Industry and Planning – Dominica;

- 3.5 The project is designed to improve institutional capacity in fiscal management through the upgrading of the information and communications technology (ICT) capacity in the Ministry of Finance, Industry and Planning. Consultants will advise on the most appropriate structure to facilitate the efficient functioning of a new ICT unit in the Ministry, including technical functionality and business process flow relationships. A sustainable skills upgrading training program for core staff will also be designed.

Project IV: Capacity-building for Strengthening Government Financial Management – Grenada

- 3.6 The project is designed to improve the quality of the public accounts and strengthen financial management in the public service by developing capacity in public sector ministries to operate and administer treasury computerised accounting systems and procedures. Consultants will provide training in accounting procedures and the use of computerised accounting systems.

Project V: Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines

- 3.7 The project is designed to provide institutional strengthening to the Statistics Department to analyse (i) the current data requirements of its internal and external clients; (ii) the processes and methodologies employed in obtaining, analysing, storing and disseminating such data; and (iii) the skills mix currently available to undertake such tasks. This intervention will result in an improvement of all procedures, processes and skills involved in data management.

IV. COST AND FINANCING

- 4.1 The contribution of the Bank is up to US\$500,000, chargeable to the net income of the Fund for Special Operations on a non-reimbursable basis. The total cost of the project is estimated at the equivalent of US\$597,800.

Cost and Financing

(US\$)	IDB/FSO	Local	TOTAL
1. Preparation of a Tourism Master Plan– Dominica	150,000	29,700	179,700
2. Preparation of a National Policy on Local Government - Dominican	148,400	31,500	179,900
3. Institutional Strengthening of the Ministry of Finance – Dominica	34,600	6,600	41,200
4. Strengthening of the Treasury Department of the Ministry of Finance – St. Vincent and the Grenadines	34,000	6,000	40,000
5. Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines.	133,000		
TOTAL	500,000	97,800	597,800

V. EXECUTION AGENCY AND EXECUTION STRUCTURE

- 5.1 The Caribbean Development Bank (CDB), which has its headquarters in Barbados, was founded in 1970 with the objective of contributing to the economic growth and development of member countries in the Caribbean and to promote their economic cooperation and integration. The original members of the CDB were the 16 British Commonwealth Caribbean governments and two non-regional members, Canada and the UK. Since then, an additional Caribbean country has joined, as well as six other non-borrowing countries, all of which, except one, are also members of the Bank.¹
- 5.2 The CDB has devoted considerable energy and resources to improving all stages of the program cycle, and a more rigorous, comprehensive and transparent programming process has been implemented. In addition the CDB has implemented a project performance evaluation system, with which the CDB is better able, during the appraisal phase, to predict project performance as well as compare more objectively different programs. This system also helps to provide more effective supervision of programs during implementation. Given these findings, it was concluded, as part of the analysis for the Loan Program, that the CDB has the technical capabilities and policies to assess adequately the feasibility and effectiveness of programs to be financed with Bank resources.
- 5.3 The Projects Department of CDB, in cooperation with the country project executing institutions, will execute the Program. Staff of the Projects and Economics Departments will be responsible for assuring the feasibility and effectiveness of the projects financed by the Program, including issues related to costs and sustainability.

VI. ACTION PLAN

- 6.1 The estimated schedule for preparation of the project is for approval by the Board of Directors in February 2008.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 The CDB's environmental policy and regulations are similar to those of the Bank, requiring a classification of the potential environmental impact to determine the level of environmental impact analysis and the consequential identification and design of mitigation measures required for supported operations. The environmental analysis and management capabilities of the CDB and the eligible countries continue to improve. As such, the environmental risks of projects should be adequately mitigated and managed. These policies were reviewed extensively during the preparation of the complementary loan program. Significant environmental and social risks are not expected in the Program, and, as indicated above, the CDB has adequate procedures to deal with them should

¹ China is a recent non-regional member of the CDB.

they arise. For these reasons, the project was classified in the C category, according to the Safeguard Screening Form.