

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

**IMPROVEMENT OF THE POLICY AND INSTITUTIONAL
FRAMEWORK IN THE ORGANIZATION OF EASTERN CARIBBEAN
STATES COUNTRIES (OECS): PHASE III**

(RG-T1463)

PLAN OF OPERATIONS

This document was prepared by the project team consisting of: Frank Nieder (ICF/CMF) Project Team Leader; Laurence Telson (ICS/CBA), Rosina de Souza (LEG/SGO) and Dianela Avila (ICF/CMF).

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ANNEX I Logical Framework

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

CDB	Caribbean Development Bank
FSO	Fund for Special Operation
OECS	Organization of Eastern Caribbean States

**IMPROVEMENT OF POLICY AND INSTITUTIONAL FRAMEWORK IN ORGANIZATION OF
EASTERN CARIBBEAN STATES COUNTRIES (OECS). PHASE III
(RG-T1463)**

EXECUTIVE SUMMARY

Beneficiaries:	Member Countries of the Organization of Eastern Caribbean States (OECS)		
Executing Agency:	Caribbean Development Bank (CDB), Barbados, Barbados		
Target Beneficiaries:	Member Countries of the Organization of Eastern Caribbean States (OECS)		
Team Members	Frank Nieder (ICF/CMF) Project Team Leader; Laurence Telson (ICS/CBA), Rosina de Souza (LEG/SGO) and Dianela Avila (ICF/CMF)		
Financing:	IDB:		
	Non reimbursable, FSO		US\$500,000
	CDB/SDF		US\$400,000
	Local:		US\$506,200
	Total:		US\$1,406,200
Objectives:	The objective of the program is to improve the competitiveness and reduce the vulnerability of the four FSO eligible OECS countries to natural disasters and external macroeconomic shocks by supporting the development and implementation of effective economic policies and institutional measures.		
Execution Timetable:	Execution period:		30 Months
	Disbursement period:		36 Months
Special Contractual Conditions:	<p>Presentation and acceptance by the Bank of a detailed work plan for the project.</p> <p>Presentation and acceptance by the Bank of evidence of the availability of counterpart funds for the administration of the program.</p>		
Environmental and Social Review:	<p>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 the programs 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 project, and, as indicated above, the CDB has adequate procedures to deal with them should they arise.</p>		

I. BACKGROUND AND JUSTIFICATION

A. Socioeconomic Framework

- 1.1 The economies of the smaller and FSO eligible 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 rates of 5-6% in 2005 and 2006, the highest levels in a decade and a half. These higher growth rates have been fuelled 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 preference erosion that has affected major 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, due in large part to the openness of the economies, and natural disasters. The effects of the current sharp rise in commodity prices are an example of this vulnerability. In addition, the economies continue to have large fiscal and external imbalances, face increased competition in the tourism sector, and deteriorating terms of trade.
- 1.2 Structural changes, including the enhancing the effectiveness and efficiency of public sector institution, 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; and (iii) narrow 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.

B. Bank Assistance to Reduce Vulnerability and Heighten Competitiveness

- 1.3 Motivated by the effects of September 11, 2001, 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 FSO eligible OECS countries, with a US\$20 million global credit facility (RG-0056) in June, 2002 to the Caribbean Development Bank.
- 1.4 The loan proposal specified that the Bank intends to provide US\$1.5 million dollars technical cooperation, to be provided through three separate operations of

US\$500,000. These resources have been used to complement the loan and support institutional and policy measures associated with the Economic Reconstruction Program. The proposed program would be the final program of these technical cooperation operations. Over 75% of the second TC operation has been disbursed, and all committed. It should be noted that the IDB cannot lend or provide technical resources directly to these countries, 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 and other regional organizations.

C. Justification

- 1.5 While these OECS countries have made progress in introducing policy and institutional reforms and other measures to address their vulnerability, continued progress is needed. This program will provide needed assistance to maintain this progress, as well as fulfilling the Bank's commitment to provide FSO resources for this end. This program will be the third and final program using these committed resources.

II. PROGRAM DESCRIPTION

A. Objectives

- 2.1 The objective of the program is to improve the competitiveness and reduce the vulnerability of the four FSO eligible OECS countries to natural disasters and external macroeconomic shocks. Eligible projects will assist these countries, or OECS regional efforts to develop and implement economic or institutional reforms that meet this objective.

B. Description

- 2.2 The Program will assist in the financing of projects in the CDB TC pipeline that meet the aforementioned objective and criteria. In a manner consistent with the Plan of Operations, the CDB will distribute these resources amongst eligible projects. An indicative pipeline of eligible TC operations has been prepared. The CDB has indicated to the Bank their intention to use the resources to finance the following four projects. It should be noted that although two of the projects of this phase are for Dominica, the programming of the total US\$1.5 million of IDB FSO technical assistance in the three TC programs will have been equitably provided over the four eligible OECS countries. If necessary the CDB, subject to Bank approval, could submit other projects for Program financing.

C. Components

- 2.3 Project I: Institutional Strengthening of the Ministry of Public Works and Infrastructural Development – Dominica (US\$1,161,400). Over the years the Government of Dominica has experienced very serious difficulties in

implementing its Public Sector Investment Program. Over half of the PSIP is dedicated to economic infrastructure, primarily transport, roads, ports and the airport, as well as natural disaster protection, such as various types of sea defenses. As such, the difficulties in implementing the PSIP affect both the competitiveness of Dominica as well as its ability to reduce its vulnerability to climatic events. The Ministry of Public Works and Infrastructural Development (MPW) is the agency responsible for planning, implementation and monitoring of these projects but suffers from inadequate human and financial resources. The proposed project would establish a Project Management Unit (PMU) within the MPW to strengthen the capabilities of the Ministry to implement the PSIP. The project will engage on a contractual basis various experts to assist in the management of infrastructure projects. The consultants will work closely with Ministry staff to allow knowledge transfer and facilitate sustainability after the contract period.

- 2.4 Project II: Institutional Strengthening of the Ministry of Finance, Industry and Planning – Dominica (US\$65,300). Since the sharp economic downturn in 2000-2003, Dominica has made significant progress in restoring relatively rapid economic growth and in establishing a sound macroeconomic framework. These gains have been made due in large part to the implementation of fiscal reforms as well some structural economic measures. To consolidate its improved fiscal management, there is need to improve capacities for information technology management and development within the Ministry of Finance, Industry and Planning. To address this need, the project will finance consulting services to advise the Ministry on the requirements for an Information Technology (IT) Unit and to develop a training program for core staff of the unit.
- 2.5 Project III: Capacity-building for Strengthening Government Financial Management – Grenada Project (US\$ 44,500). Fiscal balances still remain relatively large which has hindered efforts to establish a sound economic framework. This program is part of wider effort to improve fiscal management. In this regard, Grenada is implementing a more efficient and comprehensive computerized financial management information and accounting system. The program is designed to ensure the effectiveness of the system by strengthening staff capabilities to utilize the system through the provision of training to public sector officials on financial management systems and procedures.
- 2.6 Project IV: Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines (US\$ 135,000). Timely and easy access to accurate and extensive statistical data is key component for informed public policy and for private sector decision makings. This project is designed to improve the effectiveness and efficiency of the Statistics Department. It will provide consulting service to strengthen the human resources and technological capabilities of the Statistics Department. In particular, it would include consulting services to analyze the current capacities of the Statistical Department and provided recommendations to strengthen them, provide training and procure software.

III. COST AND FINANCING

A. Description and composition of financing

- 3.1 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. OECS member countries will provide counterpart funds. They are expected to amount to US\$506,200. The Caribbean Development Bank is expected to provide a maximum of US\$400,000 from its Special Development Fund to finance the Institutional Strengthening (Ministry of Public Works and Infrastructural Development) project in Dominica. The total cost of the project is estimated at the equivalent of US\$1,406,200.

Table 1. Cost and Financing

(US\$)	IDB/FSO	CDB/SDF	Local	TOTAL
1. Institutional Strengthening of the Ministry of Public Works & Infrastructural Development - Dominica	298,400	400,000	463,000	1,161,400
2. Institutional Strengthening of the Ministry of Finance – Dominica	48,800	-	16,500	65,300
3. Capacity Building for Strengthening Government Financial Management System – Grenada	37,800	-	6,700	44,500
4. Institutional Strengthening of the Statistics Department – St. Vincent and the Grenadines	115,000	-	20,000	135,000
TOTAL	500,000	400,000	506,200	1,406,200

IV. EXECUTING AGENCY AND MECHANISM

A. Program Execution and Administration

- 4.1 The Staff of the Projects and Economics Departments of the Caribbean Development Bank (CDB), in coordination with the country project executing institutions, will execute the Program. The Staff of the Projects and Economics Departments of the CDB will be responsible for assuring the feasibility and effectiveness of projects financed by the program. The CDB, which has its headquarters in Barbados, it 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

- 4.2 The Staff of the Projects and Economics Departments of the CDB in coordination with the aforementioned OECS institutions will supervise the execution of all project activities in accordance with the terms of reference established. Duties will include preparation of all relevant project documentation, managing the project's finances, hiring of consultants, and administration of their contracts and organization of all consultation-related activities.
- 4.3 The Staff of the Projects and Economics Departments of the 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, among other things, the preparation of terms of reference for each project activity and supervision and evaluation of consultants in terms of their technical output).
- 4.4 Program administration and general supervision will be the responsibility of the Capital Markets and Finance Division (CMS/IFM) in coordination with the Country Office in Barbados.

B. Procurement of Goods and Services

- 4.5 CDB procurement policies and procedures are consistent with those of the IDB in terms of ensuring transparency and competition in the selection of goods and service providers. In order to facilitate the administration of the program and to provide borrowers with uniform procedures, it is recommended that the CDB's procurement procedures be used with the following provisions. It should be noted that all of these provisions were approved in the previous two phases of this TC operation. In this regard, the following criteria will be implemented.
 - a. Eligibility for procurement using the resources of the program should be open only to CDB and IDB members (This will imply that eligibility be open to countries that are not members of the IDB). For emergency rehabilitation, the CDB may, after obtaining the no-objection from the IDB, grant a waiver of its procurement procedures to facilitate a more rapid response.
 - b. Procurement of contracting services for works or goods with an estimated cost for goods above US\$300,000, and for consulting services above US\$200,000 should be based on international competitive bidding, as stated in the CDB's Guidelines for Procurement.
 - c. The IDB reserves the right to carry out, at any stage of the procurement process, ex-ante or ex-post reviews of the procurement procedures being followed; all bids may be rejected, after consultation with the CDB, if the

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

lowest evaluate bid exceeds the estimate by an amount to provide a reasonable justification. In such cases, with the approval of the CDB, the executing agency may call for new bids from at least all that were invited to bid in the first instance, but may not negotiate a contract with any bidder.

C. Execution period and disbursement schedule

- 4.6 The project will be executed over a period of 30 months with a disbursement period of 36 months effective from the date of signature of the agreement.
- 4.7 The Bank will establish a revolving fund corresponding to 25% of the total IDB contribution. The fund will be replenished depending on the appropriate justification of expenses.
- 4.8 Conditions for first disbursement include:
 - a. Detailed work plan for the project including products, activities and procurement of goods and services.
 - b. Presentation and acceptance by the Bank of evidence of the availability of counterpart funds for the administration of the program.

V. MONITORING AND EVALUATION

D. Monitoring, Reporting and Evaluation

- 5.1 The Executing Agency will submit the following reports to the Bank:
 - a. Prior to first disbursement and the start of program implementation, a detailed work plan for the program, including all activities planned for this period, products, and an estimate of resource requirements (Bank and Counterpart).
 - b. A progress report after six months, containing: (i) information on the activities completed to date, indicating both achievements and problems encountered, with proposed solutions; (ii) the execution of the budget by category and source of financing; (iii) detailed work plan for the remaining period of execution; and (iv) estimated resource requirements to fulfill the work plan. The work plan and progress reports will be discussed in meetings with the Bank every six months. It should be noted that any substitution of projects under this program would have to be clearly justified and is subject to the prior no-objection of the Bank.
 - c. A final report, within 30 days after the execution period ends, summarizing and evaluating all activities, as well as evaluating the effectiveness of each project in meeting its specific objectives and the Program objective. This report will also detail the application of funds contributed by the Bank and Counterpart resources.

- 5.2 A midterm review of the project will be held in 12 months to evaluate the progress of activities and discuss possible changes to expedite execution.
- 5.3 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. This would be an exception to ordinary Bank policy. However, 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 Development Fund and Other Special Resources Fund) within 180 days after the closing date of each fiscal year. An auditing firm acceptable to the Bank will be responsible for the audit.

VI. PROGRAM BENEFITS AND RISKS

A. Program benefits and developmental impact

- 6.1 Based on the current list of proposed projects to be financed by the program, the benefits of this program should include: (i) enhanced capabilities for efficient and effective management of infrastructure projects within the public sector in Dominica; (ii) enhanced capabilities for effective financial management in the public sector of Dominica; (iii) enhanced capabilities for effective financial management in the public sector of Grenada; and (iv) improved access to statistical information and capabilities to analyze this information in the public sector of St. Vincent and the Grenadines.

B. Risks

- 6.2 The primary risk to the program is that the participating countries may not maintain the commitment to implement policy reforms and institutional strengthening efforts supported by the program. However, the countries' continued efforts since the sharp economic downturn indicate that there is a relatively low likelihood that their commitment would wane. Moreover, the CDB's programming process will help to ensure that resources are directed to those countries that are committed to this reform process.

C. Institutional Viability

- 6.3 The CDB has a long experience with the implementation of Bank-supported programs, including 14 technical cooperations. The experiences with these previous programs as well as the significant resources the CDB is devoting to improving the effectiveness and efficiency of its operation should ensure the institutional feasibility of the program. In this regard, it should be noted that the first of TC programs associated with the current Global Credit Program (RG-0056) program was implemented in about 3 years. The second phase is being implemented over a four year period however, after three years; most of the funds have been disbursed to date. The implementation period for the third phase is three years, compared to over 7 years with the complementary Technical Assistance (ATN/SF-5203) of the previous Global Credit Loan (ATN/SF-5203)

approved in 1996.

VII. ENVIRONMENTAL AND SOCIAL REVIEW

A. Date of ESR Review

- 7.1 The Project will not generate any significant negative environmental and social impact. Based in the Safeguard toolkit criteria, this project was classified as Category C and was cleared by ESR on May 11, 2008.

VIII. RECOMMENDATION

- 8.1 Franklin Nieder, designated Team leader of this project, recommends the approval of this operation and the use of the resources of the Fund for Special Operations (FSO) totaling up to five hundred thousand from the United States of America (US\$500,000), in order to finance the corresponding project.

IX. CERTIFICATION

- 9.1 The Grants and Cofinancing Management Unit (VPC/CGM) certifies that the amount of US\$500,000 from the Fund for Special Operations (FSO) are available for the financing of the proposed program budget of the current Plan of Operations.

Original Signed

08/19/2008

Marguerite S. Berger, Chief VPC/GCM

Date

X. APPROVAL

Original Signed

08/25/2008

Kurt Focke, Division Chief, ICF/CMF

Date

ANNEX I - LOGICAL FRAMEWORK

**IMPROVING THE ECONOMIC POLICY AND INSTITUTIONAL FRAMEWORK
OF OECS COUNTRIES PHASE III. (RG-T1463)**

OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL Reduce the vulnerability of the FSO eligible OECS countries to external macroeconomic shocks and natural disasters.	Lower impact on GDP from external macro economic shocks and natural disasters.	Central of OECS and CDB Annual Reports	Countries implement and maintain appropriate macroeconomic and infrastructure policies.
OBJECTIVE Provide Bank resources to the CDB, which they would utilize to finance and supervise projects that effectively assist countries achieve the goal of the project.	Disbursement of program resources for projects which meet the project eligibility requirements.	Disbursement records.	Countries request well designed projects that meet program eligibility requirements.
COMPONENTS/RESULTS 1 Programming of Program Resource. 2. Project review and approval process. 3. Supervision of financed projects. 4. Evaluation of financed projects.	Projects identified for Funding. Projects approved by the CDB that meet project eligibility criteria.. Execution of programs. Evaluation reports.	CDB documentation and project reports	CDB maintains strong institutional capacity and effective policies to identify, evaluate, supervise the execution and evaluate projects.
INPUTS/ACTIVITIES Review and analysis of projects submitted projects to ensure that they meet CDB programming guidelines and will effectively meet project objectives. Submission of project list to IDB for inclusion in the program for financing. Preparation of final project documents.	CDB project profiles that explain how projects meet CDB programming strategies and address. Project List CDB Project Documents.	CDB documentation and project reports.	

Approval by the CDB.	Board Approval of projects..		
Disbursement of Funds to executing agencies.	Disbursement of funds to executing agencies in accordance with CDB policies.		
Supervision of Projects	Supervisory missions and preparation of supervision reports.		
Evaluation of Projects	Preparation of internal and review of executing agency evaluation reports		

Avila, Francy Dianela

From: ESRNet
Sent: Monday, November 05, 2007 3:55 PM
To: Hoffman, Nathalie
Cc: ESRNet
Subject: RE: Improvement of Policy and Institutional Framework in Organization of Eastern Caribbean States Countries. Phase III. (OECS) - RG-T1463/CLEARED

Project classification: C

As specified under the ESR procedures this operation has been cleared by ESR secretariat. No further action is required in the ESR process.

Thank you very much,

ESR team

-----Original Message-----

From: Hoffman, Nathalie
Sent: Monday, November 05, 2007 11:37 AM
To: ESRNet
Subject: Improvement of Policy and Institutional Framework in Organization of Eastern Caribbean States Countries. Phase III. (OECS) - RG-T1463

Buenos Dias;

Adjunto para revisión del ESR el Perfil de Cooperación Técnica de la operación indicada en la referencia, el cual incluye el "Safeguard Policy Filter Report" y "Safeguard Screening Form". Por favor cualquier comentario o duda al respecto comunicarse con Frank Nieder ext. 3446 o con Nathalie Hoffman ext. 1653.

Gracias.

Cordialmente,

Nathalie Hoffman
Inter-American Development Bank
ICF/CMF
(202) 623-1653
nathalieh@iadb.org

<< File: IDBDOCS-#1196547-v1-Improvement_of_Policy_and_Institutional_Framework_in_Organization_of_Eastern_Caribbean_States_Countries_Phase_III_.DOC >> << File: IDBDOCS-#1197113-v1-Safeguard_Policy_Filter_Report__Improvement_of_Policy_and_Institutional_Framework_in_Organization_of_Eastern_Caribbean_States_Countries_Phase_III_(OECS).DOC >> << File: IDBDOCS-#1197123-v1-Safeguard_Screening_Form__Improvement_of_Policy_and_Institutional_Framework_in_Organization_of_Eastern_Caribbean_States_Countries_Phase_III_.DOC >>

REGIONAL**IMPROVEMENT OF THE POLICY AND INSTITUTIONAL FRAMEWORK IN THE ORGANIZATION OF EASTERN CARIBBEAN STATES COUNTRIES****(RG-T1463)****PLAN OF OPERATION****Quality and Risk Review (QRR) – Results and Procedure Report****A. QRR PROCESS**

The Proposal for Plan of Operations and its corresponding Annex, were distributed for comments to the QRR on July 31, 2008. The comments received, as well as recommended next steps, have been documented in this Results and Procedure Report. No meeting was requested to discuss either the document as a whole, or specific issues.

B. UNRESOLVED ISSUES

None

C. COMMENTS

Name/Dept.	Topic	Comments	Answers
Desmond Thomas (CCA)	Openness of Economies	The openness of the OECS economies make them particular vulnerable to the current increases in commodity prices.	The project team agreed that this characteristic should be included in the Plan of Operations.
Desmond Thomas (CCA)	Risk: Commitment to Economic and Institutional Reform Process.	Other factors would also help to mitigate this risk on the program.	It was included in the document that the programming process of the CDB should help to ensure that program resources go only to countries which are committed to the economic policy and institutional reform process.