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SUPPORT

PROGRAMME PLANNING

COUNTRY, INTERCOUNTRY AND GLOBAL PROGRAMMES

Reports on mid-term reviews of country, intercountry
and global programmes

Mid-term review of the multi-island programme for the
Organization of Eastern Caribbean States

Report of the Administrator

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I. FINANCIAL DATA

1. The multi-island programme is financed from an indicative planning figure (IPF) established for the Organization of Eastern Caribbean States (OECS) countries, contributions from individual country IPFs and Special Programme Resources (SPR), which amount to \$4.45 million for the fourth cycle. Two and a half years into the cycle, \$3.548 million or 80 per cent of the resources have been committed but the implementation rate has been rather less satisfactory because of delays in recruitment and procurement of equipment. Actual expenditures for the first two years of the programme amounted to \$1.14 million or 26 per cent of total UNDP resources. The review meeting resulted in decisions on utilization of the remaining programme resources.

II. PROGRAMME AND PROJECT DATA

A. The multi-island programme

2. The multi-island programme for the OECS subregion has two major objectives: (a) agricultural diversification and rural development and (b) improved public sector management and human resources development.

B. Progress in programme implementation

3. Originally, the public sector management and human resources objective commanded 73 per cent of IPF resources. However, there is now a fairly even distribution between the two objectives (see annex II), made possible by combining other UNDP resources and third-party cost-sharing contributions into a common pool to finance multi-island projects.

Improved public sector management and human resources development

4. The projects in support of this objective are discussed in the following paragraphs.

Development of Statistical Services (CAR/87/002) and (CAR/80/002)

5. As a result of UNDP assistance, the OECS countries have made a significant improvement in their national accounts series. National income estimates continue to be compiled and updated regularly with minimal project intervention. Advisory services, training and computer equipment have been and continue to be provided to improve external trade statistics, retail price indices and other key statistical data series. Training is given priority attention so that by project completion in 1991 there will be a much strengthened and sustainable capability for statistical activities that benefit decision-making processes in the OECS countries. Protracted delay in equipment procurement and processing of training awards were experienced and these matters have been taken up with the United Nations executing agency.

Development Co-operation Info-System (DCIS) (CAR/86/001)

6. A central computerized data bank on aid flows to the Eastern Caribbean is being constructed. The intention is that countries will use the data bank for the improved management of every stage of their technical co-operation programmes and capital investment projects so that the allocation of resources will have optimal impact on their economies. The data bank has the capacity for expansion to include all the elements necessary for decision makers to undertake coherent analysis and evaluation of all projects in relation to the overall development strategy of each country. The project is now at the stage of testing the specially developed data bank software in three OECS countries and training personnel to operate it. UNDP support throughout this cycle is critical.

Automated System for Customs Data (ASYCUDA) (CAR/88/002)

7. This project will result in higher efficiency of customs operations through better management, improved planning and more effective revenue control and collection. Twenty-eight customs officers are soon to complete their training in the use of the special computer applications package for trade declarations and other customs procedures. The new system will go into effect during 1990.

Political Union (CAR/87/007)

8. UNDP assisted in the media campaign to present to the general public in the Eastern Caribbean the case for a political union which would extend the economic benefits they have already gained through joint functional arrangements under the existing OECS Treaty. Several information booklets and a film documentary on the OECS integration movement were produced with UNDP-funding support. During the review meeting, further assistance was requested for (a) the services of a three-member consulting team comprising a political scientist, economist and legal constitutional expert and (b) new promotional materials to be used in the media campaign in the two months prior to the referendum on political union. Implementation of such a union will require extensive technical expertise for which the OECS secretariat will approach UNDP and other donors at the appropriate time.

Tourism Economic Planning (CAR/87/006)

9. Tourism is a new sphere of activity brought under the focus of the OECS Economic Affairs secretariat in recognition of the importance of the sector in the medium-term development of member countries. The lead role required of the secretariat will be supported by an integrated tourism planning, development, promotion and marketing programme funded by the European Economic Community (EEC). UNDP assistance covers a tourism analyst based within the secretariat since March 1989 and provision for short-term consultancies. The tourism analyst is working towards construction of input-output tables which will help tourism policy makers and planners to make rational decisions on the sector as well as maximize the linkages with the agricultural and manufacturing sectors. The project continues until February 1991.

Housing Development in the OECS (CAR/87/001)

10. The purpose of this project is to generate alternative shelter solutions to the problems of explosive urban growth and degradation, created, for example, by overcrowded dwellings, squatting and inadequate building-development control. The target is the poorest of the poor for whom conventional shelter programmes are unaffordable because their earnings are too low to satisfy even moderate lending criteria. Four proposals (for Dominica, Grenada, Montserrat and Saint Vincent) have resulted from project activities to date. Their implementation depends on the successful mobilization of capital financing, either outright grants or concessionary funds or a combination of the two. The remaining UNDP resources allocated for this objective will be utilized to continue the search for low-cost shelter solutions, as well as to develop building standards for enforcement in the OECS region. The latter area has taken on new urgency since the devastation caused by hurricane Hugo just days after the mid-term review meeting in September 1989.

Multi-island Education Phase II (CAR/87/003)

11. A Caribbean specialist is retained on a non-continuous contract to guide and assist school principals, technical instructors and Ministry of Education officials in implementing a new curriculum in woodwork, electricity, metalwork and automobiles. This curriculum, developed with UNDP support in the previous project phase, is for students between the ages of 12 and 16 in pilot schools. The theory and workshop practice skills imparted to students by proper coverage of the curriculum will smooth the students' entry into the world of work. By 1991, when this project phase ends, it will be possible to assess the impact of the curriculum for wider application throughout the education system.

OECS Training Support (CAR/89/002)

12. Although the budget is modest, this project allows for a quick UNDP response to opportunities for OECS personnel to participate in training workshops and seminars of short duration. Nine government officials participated in the government-executed workshop and twelve in the Women, Gender and Development workshop, both held in January 1989. In August, five persons attended a translators summer course at the University of the West Indies.

Agricultural diversification and rural development

13. The projects in support of this objective are discussed in the following paragraphs.

Caribbean Rural Development Advisory Training Services (CAR/86/003)
and its previous phase (CAR/81/002)

14. UNDP assistance is designed to impact agricultural production for domestic food and export markets by tackling the particular set of production and marketing problems that constrain the viability of small-farming enterprise. A measure of the achievement of the project is the increased farm output and income resulting directly from a combination of more efficient cropping systems, timely supply of

agricultural inputs and other support services, post-harvest practices and concerted attention to marketing and distribution. Production of crops such as winter vegetables, peppers and ginger for markets outside the region has had appreciable success. UNDP assistance is assured until December 1991. By then, Governments should have gradually increased their contributions to the Caribbean Rural Development Institute (CARDI), enabling the latter to continue providing the services now performed by the personnel of project CAR/86/003. Last January, Caribbean Rural Development Advisory Training Services was subsumed into the Caribbean Rural Development Institute organizational structure by a mandate of the Heads of Government of the Caribbean Community (CARICOM).

15. Decisions on a major reorganization of OECS are expected to be taken in November 1990 by the Heads of Governments. The reorganization will equip the Economic Affairs secretariat for the shift from its now predominant emphasis on trade matters to a much broader focus on economic development generally and on the agriculture and tourism sectors in particular. The projects funded by UNDP support this widening of the OECS work programme with varying degrees of impact on the long-term development of the region. The project Automated Systems for Customs Data (CAR/88/002) will boost public revenue earnings significantly so that the countries will have a larger pool of funds to invest in developmental programmes. The project Development Co-operation Info-System (CAR/86/001) will serve as a management system for allocating human and capital resources most effectively. The project Development of Statistical Services (CAR/87/002) also supports rational decision-making but cost and impact have not increased commensurately because of high staff turnover, among other constraints. In the agriculture sector, Caribbean Rural Development Advisory Training Services production activities were substantially damaged by the passage of Hurricane Hugo in Montserrat, Saint Kitts and Nevis, and Antigua.

C. Assistance planned for the remainder of the cycle

Small Enterprise Development

16. This is a proposal to boost manufacturing and other business activity in OECS by strengthening the support mechanisms accessible to small entrepreneurs. Ideas put forward by both the International Labour Organisation (ILO) and the United Nations Industrial Development Organization (UNIDO) for specific interventions will be further assessed by a consultant whose responsibility is to prepare a sound project document for consideration by the OECS Economic Affairs secretariat and the Member States. UNDP has already encouraged Governments to make notional country IPF contributions which may be put into a larger pool of funds, nearly \$1 million, for the benefit of all OECS countries.

Political Union Phase II

17. Assistance will be given to support the implementation of the selected form of political union based on the outcome of a referendum in OECS countries.

Housing Phase II

18. UNDP and the United Nations Centre for Human Settlements (Habitat) (UNCHS) will address the need for building standards in OECS and provide continued assistance for low-income shelter schemes.

Computer Applications in the Vocational/Technical Education Sectors

19. A preliminary study will be carried out to determine the benefits and costs of this proposal.

OECS Economic Relations with Venezuela, Martinique and Guadeloupe

20. There are already established trade links between OECS and the two French departments in the Caribbean. The OECS countries are seeking opportunities to formalize and strengthen trading relationships in preparation for the single European market in 1992. UNDP will assist in formulating a general economic OECS/Martinique and Guadeloupe agreement. With regard to Venezuela, where the links are more tenuous, assistance from UNDP is required to bridge the information gap in the first instance.

III. PROGRAMME ANALYSIS

A. Economic environment and continued relevance of the multi-island programme objectives

21. The development priority confronting the OECS countries is to achieve a more diversified economy in which the overall contribution from agriculture, tourism, light manufacturing and services is maximized with a higher degree of efficiency than has been realized in the past. This entails diversification both of production and export markets, underscoring the need for competitive prices, affordable wage rates, a labour force with versatile skills and the mobilization of the private sector through an appropriate mix of incentives.

22. Diversification is essential because of the extreme vulnerability of the region to external influences which impact inflation rates, the balance-of-payments position and foreign currency reserves. As an indicator of the open nature of their economies, the World Bank estimates that 25 per cent of total GDP in the OECS is derived from official foreign grants, concessionary loans, net private transfers from abroad and effective subsidies from protected prices for bananas and sugar. An equally important trend concerns traditional exports such as bananas, and, to a lesser extent, sugar, cocoa and spices, which have performed variably over the last decade on account of falling commodity prices on international markets and fluctuating export volumes. Market protection for OECS bananas in the United Kingdom and guaranteed quotas for sugar exports in the case of Saint Kitts and Nevis to the EEC cushion the OECS economies to some extent, but there is mounting concern in the region that support measures of this type may not be indefinitely assured in the future. At the same time, tourism, which has emerged as the leading growth sector and major foreign exchange earner in the OECS region, is also

susceptible to adverse international economic forces. The recent hurricane Hugo, which devastated Montserrat and severely affected Antigua, Dominica, Saint Kitts and Nevis and the British Virgin Islands, also served as a terse reminder of the vulnerability of the tourism industry to domestic conditions, as indicated by declining tourist arrivals. Therefore, strategies to put the OECS economies on a more sustainable growth course in the intermediate and long term take precedence in the development thrust, especially in view of World Bank predictions of future real GDP increases averaging 4 per cent annually, linked to the moderation of growth rates in the global economy. In addition, as all the OECS countries have current account deficits on their balance of payments and relatively significant external debts, efficiency in the management of public sector investment is crucial.

23. In relation to the foregoing development challenge, the multi-island programme remains highly relevant as it permits the OECS countries to address common problems by devising solutions that take a regional perspective. Also, the projects contained in the multi-island programme are complementary to those implemented under the individual country programmes.

B. Implementation arrangements

24. Sixty-five per cent of total resources are programmed for implementation using national execution - the executing agencies for these projects generally engage the services of Caribbean specialists. The combined effect of these practices is that regional self-reliance is promoted and the cost of technical co-operation is considerably reduced. Compliance with the national execution reporting requirements is excellent.

25. United Nations bodies involved in the implementation of the multi-island programme are: the Department of Technical Co-operation for Development (DTCO); (CAR/80/002 and CAR/87/002); UNCHS (CAR/87/001 and its planned successor phase); the United Nations Conference on Trade and Development (UNCTAD) (CAR/88/002); and ILO (CAR/87/003 and CAR/88/003).

C. Special considerations

26. Early in 1988, when the will to create a political union was palpable among OECS leaders, over \$500,000, representing nearly 20 per cent of the multi-island IPF, was earmarked by OECS to support this initiative. Although Dominica, Grenada, Saint Lucia and Saint Vincent have sustained their commitment to unity, progress towards a referendum has been cautious. As a result of the mid-term review, the resources programmed for political unification have been reduced by 50 per cent, to the level of \$250,000 for the last two years of the fourth cycle. Assuming that a union composed of some OECS countries becomes a reality in 1990-1991, consideration will be given to the possible utilization of technical co-operation funds from other sources within UNDP, for example, SPR and the Management Development Programme (MDP).

D. Co-ordination

27. The mechanisms already exist for the OECS to co-ordinate its member States in matters of macro-economic policy through the Economic Policy Review Committee and other sub-committees. The mid-term review therefore involved only the OECS secretariat, as the latter had already consulted the member countries collectively. Furthermore, the Caribbean Group for Co-operation in Economic Development provides the framework for co-ordination among donor and United Nations agencies and the OECS Governments, both in relation to specific projects and economic policy issues. As far as co-ordination at the individual country level is concerned, the project Development Co-operation Info-Systems (CAR/86/001) has created a regional data bank on aid flows to help OECS countries to manage their technical co-operation programmes and capital projects more effectively.

IV. EVALUATION OF THE MID-TERM REVIEW

28. No further overall programme evaluation is envisaged prior to the evaluation to be carried out towards the end of the present cycle in preparation for the formulation of the new fifth cycle programme. However, a comprehensive evaluation of the Caribbean Rural Development Advisory and Training Services (CARDATS), which is the most significant project being implemented under the programme, will be carried out by the middle of 1990.

V. RECOMMENDATIONS

29. The mid-term review resulted in decisions on technical assistance to be delivered in the remaining two years of the IPF cycle. The financial commitment was thereby increased by \$924,000. In addition, given that a strengthened public management capability is a condition for the success of political unification and structural adjustment measures in the strategic sectors of the OECS economies, emphasis on this programme objective was recommended. In this regard, plans are now in process for a mission under the MDP to carry out a detailed assessment of public management needs and formulate proposals for technical co-operation.

Annex I

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	\$	\$
A. Total resources taken into account for programming at time of approval of country programme (including non-IPF funds)		2 550 000
B. Resources taken into account for programming at time of mid-term review <u>a/</u>		5 369 000
IPF allocations	4 409 000	
Programme cost-sharing	-	
Government project cost-sharing	-	
Third-party cost-sharing	840 000	
Other sources	120 000	
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u>5 369 000</u>
C. Net change in resources		<u>2 819 000</u>

II. USE OF RESOURCES

	Start of country programme <u>(1987)</u>	<u>Mid-term</u> (1989)
Approved projects <u>b/</u>	220 000	4 463 000
Project proposals <u>c/</u>	2 300 000	924 000
Unprogrammed reserve	<u>30 000</u>	<u>-</u>
Total	<u>2 550 000</u>	<u>5 387 000</u>

a/ Excluding non-IPF funds.

b/ Including cost-sharing.

c/ Excluding projects agreed to in principle, but not yet formulated.

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Annex II

DISTRIBUTION OF RESOURCES BY OBJECTIVES

<u>Country programme objectives</u>	<u>Allocations</u>	<u>Actual expenditures</u>	<u>Revised allocations as a result of MIP</u>
		(Percentages)	
Public sector management and human resources development	73	79	54
Agricultural diversification and rural development	25	21	46
Other	2	-	-
