

PROJECT COMPLETION REPORT

Project Title: Inter-Agency Resident Mission (IARM)
Project Number: 538-0089
Funding Period: August 27, 1982 - August 31, 1988
LOP Funding: Authorized: \$1,476,000
Obligated: \$ 803,000
Implementing Agency: Organization of Eastern Caribbean States (OECS)
Economic Affairs Secretariat (EAS)
OECS Building
St. John's, Antigua, WI
Project Assistance
Completion Date: August 31, 1988

I. Purpose

The purpose of the project was to assist Eastern Caribbean Less Developed Countries (LDC's) in formulating and executing public sector programs, updating data bases, and in obtaining external financial and technical assistance.

II. Background

At the fourth meeting of the Caribbean Group for Cooperation in Economic Development (CGCED) in 1981, the special problems of the less developed states of the Eastern Caribbean (the LDC's) were of particular concern. It was generally agreed that the benefits from the CGCED to the LDC's had been relatively limited to date. This was due in part to the inherent difficulties of developing such micro-economies, their then-current administrative and technical weaknesses and their inability to prepare realistic investment programs appropriate for external funding. To address these problems and increase the absorptive capacity of the LDC's to use external donor assistance effectively, the CGCED supported the establishment of an Inter-Agency Resident Mission (IARM). The IARM was to supplement the annual meetings of the CGCED by facilitating regular commitments and performance by donors as well as recipients regarding development policies and technical and financial assistance.

The IARM project proposal was put forward by the United Nations Development Program as the result of extensive discussions among donors and recipient countries within the CGCED. The proposal contained the following objectives:

Development Objectives: - The IARM's ultimate objectives were to help the Eastern Caribbean LDC's:

- a. improve their overall economic performance;
- b. accelerate the execution of investment projects;
- c. increase the quality and effectiveness of aid flows; and
- d. assist the OECS Economic Affairs Secretariat and the Caribbean Development Bank (CDB) to improve their capacity to assume the service role of the IARM.

Immediate Objectives: - More specifically, the immediate objectives were for the IARM to undertake the following:

- a. assist the LDC governments to formulate and carry out appropriate development policies, including policies to stimulate private sector activity;
- b. assist the LDC governments to formulate and carry out appropriate public sector investment programs (PSIP's);
- c. assist the LDC governments to identify and correct institutional deficiencies in project execution;
- d. assist the LDC governments to monitor progress in executing their public sector investment programs and in adopting agreed development policy measures;
- e. assist the LDC governments to obtain the required external technical and financial assistance;
- f. assist the LDC governments to update their data bases;
- g. promote donor coordination; and
- h. assist as appropriate the OECS Economic Affairs Secretariat in carrying out activities relevant to the above-mentioned objectives.

III. Summary of Inputs and Accomplishments

To accomplish the project objectives, a Resident Mission was established in Antigua, composed of a mission chief, an IMF resident representative, two general economists, a financial analyst and an economist/statistician. Personnel were seconded from the IBRD, CDB and other organizations to fill these positions.

The original \$ 1,970,730 LOP was for three years, with eight donors committed to share the costs in cash or in kind (i.e., the seconding of personnel). Of the total, AID originally supplied \$676,000 to be used only for financing short-term technical assistance in support of the Resident Mission. On August 27, 1982, the AA/LAC authorized a Project Agreement with UNDP for \$676,000. On August 27, 1985 the RDO/C Director authorized an amendment which extended the UNDP project by two years and increased the authorized LOP to \$1,476,000.

The first phase of the project---the \$676,000 grant to UNDP to support the IARM---ended in December, 1986 and an evaluation judged the project to have met its objectives. The seconded staff were disbanded and returned to their respective home institutions, and various technical functions were turned over to different OECS and regionally-based institutions (e.g., CDB and IBRD coordinate the preparation of PSIP's; OECS/EAS is responsible for collecting trade statistics; the ECCB for monetary and balance of payments statistics; the EAS for monitoring and assisting in the preparation of National Accounts; UNDP for monitoring donor flows, etc.)

At this stage, the EAS Director felt that his institution was not yet prepared to abruptly absorb all of the responsibilities previously held by the IARM team, and requested AID support for additional phase-over assistance. So, under the second phase of the project, RDO/C

provided the EAS with funds to: (1) hire a macro-economic advisor for two years, (2) pay the salary of a counterpart for three years, (3) provide secretarial support to the advisor, and (4) carry out short-term studies and other technical assistance activities. After a year of vacillating, the EAS signed a contract with a macro-economic advisor in June, 1987 and he took residence in late August. However, in the meantime the Director of the EAS left to take another position and in the rather prolonged period before a replacement was identified, the organization drifted and the newly hired Advisor was less effective than the mission had hoped. At the end of the first of his two-year contract (i.e., in June, 1988), the Grantee informed the Mission that the macro-economic advisor had elected not to continue for the second year of his contract, and asked that AID consider shifting the remaining funds totally into support of short-term studies. The project therefore fell short of meeting one of its objectives. In PIL #7, the Mission informed the Grantee of its decision to advance the PACD by four months and to deobligate for other mission uses the \$173,000 remaining in the project. A disagreement between the Grantee and the RDO/C Controller over reimbursement of a voucher was resolved in August 1989 and the Controller is proceeding with payment. No other outstanding issues remain.

IV. Recommendations for Continued Monitoring and Follow-up

The Mission should continue in public fora such as the CGCED and other donor meetings, and in its policy dialogue with OECS Governments, to encourage the continued strengthening of the EAS and of the important functions which it provides. As opportunities arise and as funding permits, the mission should carefully consider proposals for limited, short-term technical assistance to the EAS and other regional institutions where these proposals are judged to effectively further the original objectives of the IARM, particularly as they might improve the climate for private investment in the region.

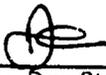
V. Lessons Learned

Economic development depends critically on the ability of countries, individually and in concert, to have the capacity to monitor and to anticipate economic trends and to plan effectively. Infrequent external monitoring---such as annual IMF or IBRD visits---are not sufficient substitutes for an effective indigenous analytical and planning capacity. The IARM helped greatly in this regard and in this way undoubtedly contributed importantly to the region's recent economic growth. Sustaining and expanding this capacity in the absence of direct external support will remain a question in the near term and will require continued or increasing governmental support for the EAS and supporting functions. The experience with the macro-economic advisor underscored the critical importance of effective and positive leadership and management of the EAS in order to avoid wasting expensive and scarce technical talent. It further underscored the potential dangers of drift and atrophy in important regional development institutions if narrower national political concerns are allowed to weigh too heavily in determining the direction and staffing of such organizations. This is a sustainability issue as well.

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Clearances:

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